annual report 2010

Lockmore Financial Services Ltd

ABN 41 106 113 599

Elmore/Lockington & Districts **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

I am pleased to present the seventh Chairman's Annual Report for Lockmore Financial Services Ltd.

The past 12 months have been a very busy period for Lockmore Financial Services. With the world grappling with the Global Financial Crisis, the financial year has seen the level of business grow steadily to $78.6 million. This level of growth has enabled the business to perform strongly, resulting in a strong surplus and a net profit of $37,911. Shareholders received a dividend of eight cents per share in December 2009, a very solid return in a tough year.

The 2009/2010 financial year has seen a number of changes for the business. In August, our Manager Andre Clayton resigned to take up a job with Community Enterprise Foundation™. He was farewelled at the Annual General Meeting in October. I thank him sincerely for his efforts over the six years he was with us. His passion and commitment has set this business in good stead and are greatly appreciated. I trust he enjoys the challenge that comes with his new job.

The Annual General Meeting provided us with the opportunity to formally welcome our new Manager, Tracie Kyne. Tracie comes to us from the ANZ in Rochester with a strong commitment and passion for the local community. Our continued business growth is a credit to her endeavours. We are very pleased to have her on board and look forward to continuing working with her in the future.

Our sponsorship program has continued this year and has been well received by the community. We are pleased to have been able to offer this level of support. Some of the initiatives include: rugby tops for the Campaspe Run volunteers, protective sun-hats for the Elmore Pre-School, printing the programme for the Rochester Flower Show and sponsoring the Ag-Art Competition at the Elmore Field Days.

We have also been able to make some substantial community grants this year. Supporting the redevelopment of the Elmore Primary Health Service, $50,000, assisting Lockington Community Centre with $10,000 for installation of air-conditioning and $6000 towards the purchase of new tables for the Elmore Golf/Bowls Country Club being the major items. Our aim is to be able to contribute to the community in such a way, and after seven years this is finally a reality.

June saw the employment of two additional staff to our business. Helen Barker and Michelle Spence come to us with a good deal of banking experience and we are pleased to welcome them to the team. Julie Sebire has left to pursue a new career and we wish her well and thank her for her efforts. My thanks to our hard working staff: Claire Hanna (married earlier this year), Helen McCaskie, Tanya Niven, Rachel Baker, Wendy Wright and Kristy Nihill (our energetic Marketing Officer). Your efforts are greatly appreciated, particularly in the period 'between' Managers.

The Community Fuel Project is progressing steadily. The Board has been working through the myriad of legal agreements required to ensure a smooth operation of this venture. Revenues received from fuel sales have exceeded $10,000 this year and should increase as community support continues to grow. I am hopeful we will see the launch of a prospectus very soon.

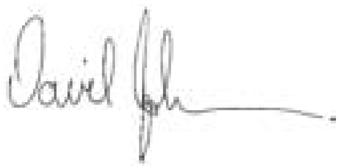
Chairman's report continued

The past few months have also seen the launch of the Rochester **Community Bank®** Project. The Board is working closely with the Rochester community to establish a branch in the town under the Lockmore Financial Services Company. Support from the Rochester community is strong and the steering committee is progressing well through the pledging stage of the project. Establishment of a third branch will strengthen our overall business and provide much needed community support for the wider Rochester community.

Members of the Board have once again been very active this year. The Board has been well represented at meetings and conferences, bank functions and community events. It is a pleasure to chair such a dedicated and energetic group. Once again I pay tribute to Helen O'Sullivan (Company Secretary) and Corrie Holmberg (Treasurer) for their efforts throughout the year. Your efforts and attention to detail are greatly valued by myself and the whole Board. Special mention to David Trewick who has decided not to re-nominate for the Board. David has served on the Board since its inception as well as the Marketing Committee. He has been a valuable contributor and readily available to help out wherever possible. Thank-you.

As always, I thank shareholders and customers for their continued support of this vital community Company. By continuing to support the Elmore/Lockington (and Rochester) **Community Bank®** Branch we can expect to see continued business growth and therefore community support.

Bank with us and everybody benefits!



David Johnson

Chairman

Manager's report

For year ending 30 June 2010

I sit here today, not only thinking about how our **Community Bank®** branches are continuing to prosper and grow, but how I too have grown since beginning in October 2009. I am continually amazed by the sense of spirit that staff, board members, shareholders and customers share with me on a daily basis. I have learned very quickly that the **Community Bank®** concept is not only about banking; in fact, banking is such a small part of identifying what **Community Bank®** branches do. I understand that it is the foundation of our business, but it's what you all give back that forms the foundation of our strong and growing communities.

As at 30 June 2010, our total business has grown to $78.6 million. In the last 12 months this represents a 15.5% increase. These are incredible figures considering we spent most of this time in the middle of the global financial crisis. Accounts opened have grown by 28% with another 388 new customers. That's also an increase of 38% on last year.

With the Rochester branch on the edge of a feasibility study, having reached their pledge totals, we find more Rochester residents wanting to join the **Community Bank®** branches family and are beginning to use our products and services. As at 30 June, we welcomed the Rochester Agency in Mitre 10, to the **Community Bank®** business of Lockmore Financial Services. With that came $3 million of business and a great basis for the new branch. We have secured a building in Gillies Street for our future branch, and hope that an ATM will be installed within the next month or two. Rochester is ready to embrace the **Community Bank®** concept, the 'Bendigo Way' and join the successful teams of Elmore and Lockington so we can continue to prosper and give back.

In June, we welcomed two new staff members, Michelle Spence and Helen Barker, both from Rochester. They bring with them valued banking experience to our already well oiled team.

In the short time I have been with the Elmore/Lockington & Districts **Community Bank®** branches and Lockmore Financial Services, I have realised how lucky I am to be working amongst such a passionate group of individuals in both the Lockmore Board and staff. I also thank everyone within our communities for making this time enjoyable whilst at the same time extremely busy, and trusting me with your financial needs.

Tracie Kyne
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

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:

David John Johnson
Chairman
Age: 42
Occupation: Farmer

Helen Dianne O'Sullivan
Secretary
Age: 57
Occupation: Teacher

Corinne Gaye Holmberg
Treasurer
Age: 61
Occupation: Administrator

Louise Frances Ross
Director
Age: 43
Centre Manager

David Thomas Trewick
Director
Age: 39
Occupation: Farmer

Maxwell John Williams
Director
Age: 61
Occupation: Farmer

Graeme Trevor Wood
Director
Age: 54
Occupation: Farmer

Jennifer Anne Dobell
Director
Age: 35
Occupation: Finance Manager

Christine Joy Weller
Director
Age: 46
Occupation: Office Administrator

Martin John Leddra
Director
Age: 63
Occupation: Solicitor

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

Company Secretary

The company secretary is Helen O'Sullivan. Helen O'Sulllivan was appointed to the position of secretary on the 25 June 2003. Helen holds a Bachelor of Education with thirty years experience. She has been president for seven years of a local association and has held several other committee positions.

Directors' report continued

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 $**
	37,911	61,274

Remuneration Report

Directors' Remuneration

At the Company's Annual General Meeting held on the 22nd of October 2009 a resolution was passed giving approval for Director's Fees to be paid to Directors. It was agreed that an amount of $40,000 be made available for the Director's Fees and that the fees be distributed amongst the Directors at the discretion of the Board. The Remuneration Committee decided that payment of these fees start from 1 July 2009.

For the year ended 30 June 2010, the directors received total remuneration, as follows:

	$
David John Johnson	5,000
Helen Dianne O'Sullivan	5,000
Corinne Gaye Holmberg	5,000
Louise Frances Ross	1,000
David Thomas Trewick	1,000
Maxwell John Williams	1,000
Graeme Trevor Wood	1,000
Jennifer Anne Dobell	1,000
Christine Joy Weller	1,000
Martin John Leddra	1,000

Fees and payments to non executive directors reflect the demands which are made on and the responsibilities of the directors. Non executive directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of non executive directors.

Dividends

	Year Ended 30 June 2010	
	Cents	$
Dividend paid in the year:	8	57,600

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

The Board upon receipt of an independent valuation of the Company decided to issue on 16th of August 2010 one bonus share for every four shares held as at the 16th of July 2010.

The Board is currently investigating the possibility of expanding its operations by way of purchasing another franchise from Bendigo & Adelaide Bank to open a third **Community Bank®** branch in Rochester. At the time of this report the Board is in the pledge stage moving forward to the preparation of a feasibility study.

The Board is continuing to invest its time in the fuel distribution project, which it will endeavour to have operational during this financial year.

There are no other 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

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.

Directors' report continued

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:

	Number of Board Meetings eligible to attend	Number attended
David John Johnson	11	11
Helen Dianne O'Sullivan	11	11
Corinne Gaye Holmberg	11	11
Louise Frances Ross	11	11
David Thomas Trewick	11	9
Maxwell John Williams	11	10
Graeme Trevor Wood	11	9
Jennifer Anne Dobell	11	7
Christine Joy Weller	11	9
Martin John Leddra	11	10

The Board has four sub-committees, Marketing, Human Resource, Finance/Audit and Buildings & Maintenance. Each sub-committee has formally elected Directors who meet on a regular basis and present reports/ recommendations to the monthly Board meetings.

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.

Non Audit Services (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Elmore, Victoria on 6 September 2010.

David John Johnson	**Helen Dianne O'Sullivan**
Chairman	**Secretary**

Auditor's independence declaration

AFS
partners in success
Chartered Accountants & Business Advisors

PO Box 45
Bendigo VIC 355
61-65 Bull Stre
Bendigo VIC 355
Phone (03) 5443 034
Fax (03) 5443 530
afs@afsbendigo.com.a
www.afsbendigo.com.a
ABN 51 061 795 5

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Lockmore 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 6th day of September 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	669,091	587,173
Employee benefits expense		(257,128)	(235,265)
Charitable donations, sponsorship, advertising and promotion		(122,641)	(56,261)
Occupancy and associated costs		(32,929)	(29,767)
Systems costs		(37,462)	(38,603)
Depreciation and amortisation expense	5	(36,587)	(28,028)
Finance costs	5	(1,587)	(1,468)
General administration expenses		(132,158)	(111,502)
Profit before income tax expense		**48,599**	**86,279**
Income tax expense	6	(10,688)	(25,005)
Profit after income tax expense		**37,911**	**61,274**
Total comprehensive income for the year		**37,911**	**61,274**

Earnings per share (cents per share)		**¢**	**¢**
- basic for profit for the year	23	5.27	8.51
- dividends paid per share	21	8	8

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	385,939	363,537
Trade and other receivables	8	60,529	53,723
Current tax asset	11	20	-
Total Current Assets		**446,488**	**417,260**
Non-Current Assets			
Property, plant and equipment	9	116,960	113,823
Intangible assets	10	47,058	60,830
Deferred tax assets	11	7,838	4,509
Total Non-Current Assets		**171,856**	**179,162**
Total Assets		**618,344**	**596,422**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	27,053	18,759
Borrowings	13	13,410	13,966
Provisions	14	22,036	15,806
Total Current Liabilities		**62,499**	**48,531**
Non-Current Liabilities			
Borrowings	13	24,273	-
Provisions	14	10,098	6,728
Total Non-Current Liabilities		**34,371**	**6,728**
Total Liabilities		**96,870**	**55,259**
Net Assets		**521,474**	**541,163**
Equity			
Issued capital	15	690,457	690,457
Accumulated losses	16	(168,983)	(149,294)
Total Equity		**521,474**	**541,163**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	**690,457**	**(152,968)**	**537,489**
Total comprehensive income for the year	**-**	**61,274**	**61,274**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(57,600)	(57,600)
Balance at 30 June 2009	**690,457**	**(149,294)**	**541,163**
Balance at 1 July 2009	**690,457**	**(149,294)**	**541,163**
Total comprehensive income for the year	**-**	**37,911**	**37,911**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(57,600)	(57,600)
Balance at 30 June 2010	**690,457**	**(168,983)**	**521,474**

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		647,022	618,311
Payments to suppliers and employees		(560,179)	(528,390)
Interest received		15,758	18,083
Interest paid		(1,587)	(1,468)
Income taxes paid		(14,037)	-
Net cash provided by operating activities	**17**	**86,977**	**106,536**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(30,692)	(35,476)
Payments for intangible assets		-	(68,862)
Net cash used in investing activities		**(30,692)**	**(104,338)**
Cash Flows From Financing Activities			
Proceeds from borrowings		43,919	-
Repayment of borrowings		(20,202)	(8,873)
Dividends paid		(57,600)	(57,600)
Net cash used in financing activities		**(33,883)**	**(66,473)**
Net increase/(decrease) in cash held		**22,402**	**(64,275)**
Cash and cash equivalents at the beginning of the financial year		363,537	427,812
Cash and cash equivalents at the end of the financial year	**7(a)**	**385,939**	**363,537**

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.

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®** branches at Elmore and Lockington.

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

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 (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.

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.

Note 4. Revenue from Ordinary Activities

	2010 $	**2009 $**
Operating activities:		
- services commissions	644,389	543,618
- other revenue	8,944	19,936
Total revenue from operating activities	**653,333**	**563,554**
Non-operating activities:		
- interest received	15,758	23,619
Total revenue from non-operating activities	**15,758**	**23,619**
Total revenues from ordinary activities	**669,091**	**587,173**

	2010 $	2009 $

Note 5. Expenses

	2010 $	2009 $
Depreciation of non-current assets:		
- plant and equipment	13,638	9,439
- leasehold improvements	9,177	5,557
Amortisation of non-current assets:		
- franchise agreement	2,295	6,337
- franchise renewal fee	11,477	6,695
	36,587	**28,028**
Finance costs:		
- interest paid	1,587	1,468
Bad debts	**5,081**	**-**

Note 6. Income Tax Expense

	2010 $	2009 $
The components of tax expense comprise:		
- Current tax	14,017	-
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	(5,532)	4,450
- Recoup of prior year tax loss	2,203	20,555
- Under/(Over) provision of tax in the prior period	-	-
	10,688	**25,005**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	48,599	86,279
Prima facie tax on profit from ordinary activities at 30%	14,580	25,884
Add tax effect of:		
- non-deductible expenses	4,132	3,929
- timing difference expenses	5,532	(2,298)
- other deductible expenses	(8,024)	(6,960)
	16,220	**20,555**

	Note	2010 $	2009 $
Note 6. Income Tax Expense (continued)			
Movement in deferred tax	11	(3,329)	4,450
Recoup of prior year tax loss		(2,203)	-
Under/(Over) provision of income tax in the prior year		-	-
		10,688	**25,005**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	105,421	58,918
Term deposits	280,518	304,619
	385,939	**363,537**

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	105,421	58,918
Term deposits	280,518	304,619
	385,939	**363,537**

Note 8. Trade and Other Receivables

Trade receivables	54,524	38,877
Other receivables & accruals	6,005	14,846
	60,529	**53,723**

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	58,693	59,794
Less accumulated depreciation	(33,789)	(28,437)
	24,904	**31,357**

	2010 $	2009 $

Note 9. Property, Plant and Equipment (continued)

	2010 $	2009 $
Leasehold improvements		
At cost	94,254	92,054
Less accumulated depreciation	(35,862)	(29,059)
	58,392	**62,995**
Motor vehicle		
At cost	39,477	33,233
Less accumulated depreciation	(5,813)	(13,762)
	33,664	**19,471**
Total written down amount	**116,960**	**113,823**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	31,357	23,250
Additions	2,249	13,052
Disposals	(415)	-
Less: depreciation expense	(8,287)	(4,945)
Carrying amount at end	**24,904**	**31,357**
Leasehold improvements		
Carrying amount at beginning	62,995	46,128
Additions	2,200	22,424
Disposals	-	-
Less: depreciation expense	(6,803)	(5,557)
Carrying amount at end	**58,392**	**62,995**
Motor vehicle		
Carrying amount at beginning	19,471	23,964
Additions	25,841	-
Disposals	(4,325)	-
Less: depreciation expense	(7,323)	(4,493)
Carrying amount at end	**33,664**	**19,471**
Total written down amount	**116,960**	**113,823**

	Note	2010 $	2009 $

Note 10. Intangible Assets

Franchise fee			
At cost		71,477	71,477
Less: accumulated amortisation		(63,632)	(61,337)
		7,845	**10,140**
Renewal processing fee			
At cost		57,385	57,385
Less: accumulated amortisation		(18,172)	(6,695)
		39,213	**50,690**
Total written down amount		**47,058**	**60,830**

Note 11. Tax

Current:			
Income tax refundable		**20**	**-**
Non-Current:			
Deferred tax assets			
- accruals		-	6,760
- employee provisions		9,640	-
- tax losses carried forward		-	2,203
		9,640	**8,963**
Deferred tax liability			
- accruals		1,802	4,454
- deductible prepayments		-	-
		1,802	**4,454**
Net deferred tax asset		**7,838**	**4,509**
Movement in deferred tax charged to statement of comprehensive income		**(3,329)**	**4,450**

	Note	2010 $	2009 $

Note 12. Trade and Other Payables

Trade creditors		24,853	16,559
Other creditors & accruals		2,200	2,200
		27,053	**18,759**

Note 13. Borrowings

Current:			
Lease liability	**18**	**13,410**	**13,966**
Non-Current:			
Lease liability	**18**	**24,273**	**-**

Chattel mortgage on motor vehicle is repayable monthly with the final instalment due on 10 December 2012. Interest is recognised at an average rate of 7.8% (2009: 7.8%). The loan is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:			
Provision for annual leave		**22,036**	**15,806**
Non-Current:			
Provision for long service leave		**10,098**	**6,728**
Number of employees at year end		4.4	2.7

Note 15. Contributed Equity

720,000 Ordinary shares fully paid (2009: 720,000)		720,000	720,000
Less: equity raising expenses		(29,543)	(29,543)
		690,457	**690,457**

Note 15. Contributed Equity (continued)

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).

(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 411. As at the date of this report, the company had 481 shareholders.

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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.

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. Accumulated Losses		
Balance at the beginning of the financial year	(149,294)	(152,968)
Net profit from ordinary activities after income tax	37,911	61,274
Dividends paid or provided for	(57,600)	(57,600)
Balance at the end of the financial year	**(168,983)**	**(149,294)**

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	37,911	61,274
Non cash items:		
- depreciation	22,815	14,996
- amortisation	13,772	13,032
- loss on disposal of fixed asset	4,740	-
Changes in assets and liabilities:		
- increase in receivables	(6,806)	(10,643)
- (increase)/decrease in other assets	(3,349)	25,005
- increase in payables	8,294	681
-increase in provisions	9,600	2,191
Net cashflows provided by operating activities	**86,977**	**106,536**

Note 18. Leases

Finance lease commitments

	2010 $	2009 $
Payable - minimum lease payments		
- not later than 12 months	13,410	14,371
- between 12 months and 5 years	28,998	-
- greater than 5 years	-	-
Minimum lease payments	**42,408**	**14,371**
Less future finance charges	(4,725)	(405)
Present value of minimum lease payments	**37,683**	**13,966**

The finance lease of motor vehicle, which commenced in December 2009, is a 3-year lease. Interest is recognised at an average rate of 7.8% (2009: 7.8%).

	2010 $	2009 $

Note 18. Leases (continued)

Operating lease commitments

	2010 $	2009 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	20,158	18,198
- between 12 months and 5 years	40,755	63,880
- greater than 5 years	-	-
	60,913	**82,078**

The Lockington Branch lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. It is in the second option period with another 5 year option left on the lease. The rent is reviewed annually with increases in line with CPI and on market value at each renewal date (3 December 2013).

The Elmore Branch lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. It is in the second option period with another 5 year option left on the lease. The rent is reviewed annually with increases in line with CPI and on market value at each renewal date (3 March 2014).

Note 19. Auditors' Remuneration

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

	2010 $	2009 $
- audit & review services	3,400	3,400
- share registry services	3,112	1,558
- non audit services	5,843	2,411
	12,355	**7,369**

Note 20. Director and Related Party Disclosures

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

David John Johnson

Helen Dianne O'Sullivan

Corinne Gaye Holmberg

Louise Frances Ross

David Thomas Trewick

Maxwell John Williams

Graeme Trevor Wood

Jennifer Anne Dobell

Christine Joy Weller

Martin John Leddra

Director, Corrie Holmberg is a partner with her husband in H & R Holmberg's Store which provides fuel for the Branch Manager's motor vehicle. Total payments for 2010 were $2,198.73 (2009: $2,492.61).

No other director or related entity has entered into a material contract with the company.

Directors Shareholdings	**2010**	**2009**
David John Johnson	5,001	5,001
Helen Dianne O'Sullivan	5,001	5,001
Corinne Gaye Holmberg	3,001	3,001
Louise Frances Ross	1,501	1,501
David Thomas Trewick	3,001	3,001
Maxwell John Williams	7,001	7,001
Graeme Trevor Wood	501	501
Jennifer Anne Dobell	5,000	5,000
Christine Joy Weller	1,000	1,000
Martin John Leddra	-	-

Notes to the financial statements continued

	2010 $	2009 $

Note 21. Dividends Paid

Ordinary Shares

	2010 $	2009 $
a. Unfranked - 8 cents per share (2009: 8 cents per share)	**57,600**	**57,600**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	14,037	-
- 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:	**14,037**	**-**
- 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	**14,037**	**-**

Note 22. Key Management Personnel Disclosures

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

Note 23. Earnings Per Share

	2010 $	2009 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	37,911	61,274

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	720,000	720,000

Notes to the financial statements continued

Note 24. Events Occurring After the Balance Sheet Date

The Board upon receipt of an independent valuation of the Company decided to issue on 16th of August 2010 one bonus share for every four shares held as at the 16th of July 2010.

The Board is currently investigating the possibility of expanding its operations by way of purchasing another franchise from Bendigo & Adelaide Bank to open a third **Community Bank®** branch in Rochester. At the time of this report the Board is in the pledge stage moving forward to the preparation of a feasibility study.

The Board is continuing to invest its time in the fuel distribution project, which it will endeavour to have operational during this financial year.

There have been no other 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 banking services pursuant to a franchise agreement with Bendigo & Adelaide Bank Limited. The economic entity operates in one geographic area being the Elmore and Lockington districts of Victoria.

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
62 Railway Place, Elmore Vic 3558	62 Railway Place, Elmore Vic 3558
	9-11 Lockington Road, Lockington Vic 3558

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	135,939	58,918	250,000	304,619	-	-	-	-	-	-	3.96	5.82
Receivables	-	-	-	-	-	-	-	-	60,529	53,723	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	13,410	13,966	24,273	-	-	-	-	-	7.8	7.8
Payables	-	-	-	-	-	-	-	-	27,053	18,759	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Lockmore Financial Services Ltd, 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.

David John Johnson
Chairman

Helen Dianne O'Sullivan
Secretary

Signed on the 6th of September 2010.

Independent audit report

AFS
partners in success
Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
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

INDEPENDENT AUDITOR'S REPORT

To the members of Lockmore Financial Services Limited

We have audited the accompanying financial report of Lockmore 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.

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 Lockmore 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 Lockmore 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 6th day of September 2010

Elmore/Lockington & Districts **Community Bank®** Branch

Elmore
62 Railway Place, Elmore VIC 3558
Phone: (03) 5432 6706 Fax: (03) 5432 6708

Lockington
9-11 Lockington Road, Lockington VIC 3563
Phone: (03) 5486 2304 Fax: (03) 5486 2435

Franchisee: Lockmore Financial Services Ltd
62 Railway Place, Elmore VIC 3558
ABN: 41 106 113 599

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