

annual report 2010

Mandurah

Community Financial Services Limited

ABN 56 098 081 308

Halls Head **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

Your **Community Bank**[®] branch has had another successful financial year. Along with successful trading as outlined in the Manager's Report, we have also again, returned a dividend to shareholders and continued our program of Community support.

The Bank has had a positive impact on our Community and the detail which follows explains the essence of that impact.

Refurbishment

The recent fit out of the branch premises has considerably improved the banking experience for customers and staff alike. The design has created the opportunity for greater communication, and the new technology has facilitated greater security for customers and staff.

Meadow Springs

The development of a second site at Meadow Springs Shopping Centre is finally possible. At this stage, negotiations have commenced with the Centre Management and it is hoped that the new site would be opened by the end of this calendar year. This site will not only provide a much needed service for the area, but also assist the many customers we already have in the Meadow Springs area. We are also looking forward to identifying key initiatives in the area which we could support.

2009 National Conference

This event continues to have a positive impact on our Community. The Conference itself generated some \$700,000 into the local business community. It has been identified that a number of conference attendees have encouraged others or they themselves have returned to the Mandurah area for holidays.

Board Members

This year has seen the retirement of two valued Directors in Stan Brice and Peter Drown. Both were tireless supporters of the Bank and contributed many hours to Board and Bank activities. We are indebted to Peter and Stan for their strong support.

Three new Directors have been appointed, Tracey Brown, Dawn Simmonds and Noel Herbert. These Directors bring a wealth of experience in different aspects of business and have already enriched the activity of the Board. We are indebted to those mentioned and all other Directors for their tireless support of the **Community Bank**[®] Branch and its outreach into the Community.

All Directors are volunteers and receive no Director's fee.

Community Support

The **Community Bank**[®] Branch has continued its support of the wider community in a range of activities. To date your Bank has contributed just over \$500,000 to significant worthwhile Community groups and their programs.

Chairman's report

Our Staff

Your **Community Bank**[®] Branch's success would not have been possible without the wonderful effort of the Manager David Williams and his dedicated staff. It is noticeable that the staff not only provide a personable and efficient Banking experience, but also contribute some of their own time in supporting our Community outreach. It is a pleasure to receive very positive comments from a range of customers as to our friendly and efficient staff. Their efforts are greatly appreciated.

Conclusion

The Halls Head **Community Bank**[®] Branch is part of the network of over 360 branches throughout Australia. This network has made a significant impact on Australian Communities by not only retaining personalised banking, but also through over \$40 million being returned to Community initiatives.

National independent surveys of **all** Banks and Credit Societies throughout Australia have resulted in Bendigo Bank achieving these results:

- The highest customer advocacy of any Bank brand in Australia
- Number 1 trusted Bank in Australia
- Top 20 of all brands in Australia, and
- Leading Australian Bank for business customer satisfaction

These results point to a strong brand with significant upside.

The Halls Head **Community Bank**[®] Branch of Bendigo Bank intends to continue to contribute to these findings by providing superior customer service and enhancing our Community engagement.

Having completed another successful year, the Board continues to remain confident in the long term growth prospects of the Company and looks forward to the continued support of our shareholders and the Community at large.



David Waddell
Chair

Manager's report

For year ending 30 June 2010

As at 30 June 2010 we had been operating for just over 8 years with over 5700 customers, 9,500 accounts and a business portfolio of \$137 million, a wonderful achievement for our local **Community Bank**[®] branch.

Whilst the 2009/10 financial year was a difficult one for many due to the continuing impact of the GFC, our results were in line with pre GFC performance, a very pleasing result.

And importantly we have continued to contribute both dollars and time back into our local community, partnering with many community and sporting groups over this 8 year period as well as continuing to return a dividend to our loyal shareholders.

Highlights for the 2009/10 year were the hosting of the **Community Bank**[®] National Conference with over 650 **Community Bank**[®] delegates attending from around the country and the announcement of a 3 years partnership with the Peel Thunder Football Club.

Whilst the economic climate remains uncertain, the Halls Head Community Bank board and branch staff continues to work hard to improve our business to ensure we continue to meet the current and future banking needs of our clients.

Current branch staff are ;

David Williams	Branch Manager
Susan Samuels	Customer Service Supervisor
Donna Olney	Loans Officer
Danica Smith	
Lynette Fender	
Megan Reid	
Mellissa Sims	
Jessica Wood	
Courtney Nichols (currently on paternity leave)	

Thank you to all staff for an outstanding effort for the 2009/10 year.

Thank you also to the many clients and shareholders who remain our most valuable asset and who continue to support the **Community Bank**[®] concept and therefore ensure the ongoing success of our branch and the **Community Bank**[®] network.

Having opened the Halls Head **Community Bank**[®] branch in April 2002 and now being the 4th longest serving **Community Bank**[®] branch manager in WA, I am proud of our achievements and the people who have been part of this organisation over the past 8 years.

I am confident that the continued support and commitment from all involved in **our Community Bank**[®] branch will ensure our business continues to grow for the benefit of the **Mandurah Community**.



David Williams
Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2010.

Directors

The names of Directors in office at any time during or since the end of the year are:

David Waddell

Chairperson

Occupation: Business Development Consultant

Background Information: 16 years in top level administration at Curtin University. Awarded a Curtin Fellowship Award in 2002. Former Chairperson and Board member for many organisations. Mentor to 5 **Community Bank**[®] branches. WA representative on **Community Bank**[®] Strategic Advisory Board. Board member of the Peel Development Commission. Consultant in business development. Continues to contribute in a leadership role on committees for community development in the Peel region where he resides.

Directorships held in other entities: None

Interest in shares and options: 2,500 shares

Ian Ilsley

Non-Executive Director

Occupation: Certified Practising Accountant

Background Information: Director of Ward and Ilsley Partners Pty Ltd, Certified Practising Accountants, formerly the Treasurer of Frederick Irwin Anglican School Parents & Friends Association for 13 years, Treasurer of Mandurah Country Club for past 9 years, Board member of the Mandurah Performing Arts Centre and the Mandurah Performing Arts Trust and a community representative on the City of Mandurah's Audit & Risk Committee.

Directorships held in other entities: None

Interest in shares and options: 2,500 shares

Peter Drown (*resigned 3 December 2009*)

Non-Executive Director

Occupation: Retired

Background Information: Former Bank Manager for Westpac Banking Corporation.

Directorships held in other entities: None

Interest in shares and options: 1,200 shares

Directors' report continued

Colin Frizzell

Non-Executive Director

Occupation: Formerly State General Manager – Tascot – Templeton Carpets

Background Information: Colin has been employed in the carpet and flooring industry for over 35 years in

National roles responsible for Sales, Marketing and Research & Development for carpet manufactures – Godfrey Hirst, Kensington Carpets NZ Ltd, Homfray Carpets and Hycraft Carpets, specialising in hospitality, gaming and casino applications.

He conducted his own independent Carpet & Textile Consulting business for 8½ years in Melbourne before he joined Bridgestone Australia Ltd as the National Sales Marketing and R & D Manager, to develop their commercial range of flooring underlay and acoustic pads. Prior to retirement on his return to Western Australia, he held the position of State Manager Western Australia for Tascot Templeton Carpets.

Directorships held in other entities: None

Interest in shares and options: 6,000 shares

Stanley Brice (resigned 3 December 2009)

Non-Executive Director

Occupation: Retired

Background Information: Founded Charnley-Brice Pty Ltd with Murray Charnley in February 1994, thus combining 85 years of construction, administration and management expertise in construction of schools, hospitals and high rise CBD office buildings.

Directorships held in other entities: None

Interest in shares and options: - None

Andrew Brown

Non-Executive Director

Occupation: Baker

Background Information: Retail – Bakers Delight and marketing experience

Directorships held in other entities: None

Interest in shares and options: - None

Leonie Hansen

Non-Executive Director

Occupation: Business Owner – Events Management and Planning

Background Information: Owner of Meeting Expectations a Mandurah based business providing planning and management services focusing on corporate meetings, functions and events.

Previously the CEO of the Peel Chamber of Commerce and Industry for 10 years.

Directorships held in other entities: None

Interest in shares and options: - None

Directors' report continued

Tracey Brown (appointed 3 December 2009)

Position: Non-Executive Director

Occupation: Business Owner – Café Pronto

Background Information: Tracey is in partnership with her husband together they own and operate the award winning restaurant - Café Pronto in Mandurah. Previously operated various hospitality and tourism businesses in the Mandurah including- Mandurah Holiday Village and Blue Bay Fish and Chips. Previously Tracey worked in administration for Quality Pacific Hotels (now Novotel) in Queensland, and prior to that as travel consultant.

Directorships held in other entities: None

Interest in shares and options: None

Dawn Simmonds (appointed 3 December 2009)

Position: Non-Executive Director

Occupation: Retired Senior Manager Australia Post

Background Information: For 27 years employed by Australia Post in administration and management roles, including 4 years as WA State Marketing Manager, 4 years as Southern Retailer Manager, 8 ½ years as State Manager Retailer Victoria/Tasmania and then 18 months as National Manager Retail Profitability and Merchandising.

Directorships held in other entities: None

Interest in shares and options: None

Noel Herbert (appointed 3 December 2009)

Position: Non-Executive Director

Occupation: Business Owner

Background Information: Spent 10 years in Royal Australian Airforce, then worked in Sales & marketing for three years for a large multinational company before, establishing a small business with his wife manufacturing and wholesaling baby clothing nationally and internationally. Manager of the Peel Small Business Centre for 2 years and lecturer in small business management at TAFE. Returned to small business commencing a commercial building maintenance business.

Directorships held in other entities: None

Interest in shares and options: None

Company Secretary

Ian Hsley CPA

Principal activities

The principal activities of the Company during the course of the financial year were in providing **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.

Directors' report continued

Directors' meetings attended

During the financial year, 13 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Director	Directors' meetings	
	Number eligible to attend	Number attended
David Waddell	13	13
Ian Ilesley	13	12
Peter Drown	6	1
Colin Frizzell	13	10
Stanley Brice	6	2
Andrew Brown	13	11
Leonie Hansen	13	13
Tracey Brown	7	6
Dawn Simmonds	7	4
Noel Herbert	7	6

Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Ltd, pursuant to a franchise agreement.

Operating results

Dividends paid or recommended

The Company paid or declared for payment dividends of \$35,669 during the year.

Financial position

The net assets of the Company have increased from \$883,306 as at 30 June 2009 to \$1,020,954 as at 30 June 2010, which is an improvement on prior year due to the improved operating performance of the Company.

The Directors believe the Company is in a stable financial position.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

After balance date events

Prior to the end of the financial year, the Board of Mandurah Community Financial Services Ltd resolved to establish a second banking site, subsequently obtaining approval for this decision from the Bendigo and Adelaide Bank Ltd.

At date of reporting, the negotiations for suitable leased premises are underway, but there is a high probability that the new Meadow Springs branch operation will commence on 15 November 2010.

Directors' report continued

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying officers or Auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an Auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

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

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate governance

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

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

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to Auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

Taxation services:	\$5,865
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Directors' report continued

REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2010 and 30 June 2009.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Directors' report continued

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Directors' report continued

Key management personnel remuneration

	Salary, fees and commissions \$	Superannuation contribution \$	Cash bonus \$	Non-cash benefits \$	Total \$	Performance related %
2010						
David Williams (Manager)	94,175	29,104	3,400	-	126,379	-
	94,175	29,104	3,400	-	126,679	-
2009						
David Williams (Manager)	59,098	41,039	-	-	100,137	-
	59,098	41,039	-	-	100,137	-

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Directors' report continued

Auditor's independence declaration

The lead Auditor's independence declaration under s 307C of the Corporations Act 2001 for the year ended 30 June 2010 is included within the financial statements.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director



Dated this

27th

day of

August

2010

Directors' report continued

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead Auditor for the audit of the financial report of Community Financial Services Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief there have been no contraventions of:

- a. the Auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- b. any applicable code of professional conduct in relation to the audit.

RSM BIRD CAMERON PARTNERS
Chartered Accountants



David Wall

Partner

Perth, Western Australia

Date: 27 August 2010

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue	2	1,290,713	1,144,804
Employee benefits expense		(498,698)	(506,554)
Charitable donations and sponsorship		(23,943)	(19,061)
Other expenses	3	(524,586)	(444,723)
Profit before income tax		243,486	174,466
Income tax expense	4	(70,169)	(58,006)
Profit for the year		173,317	116,460
Other comprehensive income			
Total comprehensive income		-	-
Total comprehensive income for the year attributable to members		173,317	116,460
Earnings per share (cents per share)			
- basic earnings per share (cents per share)		29.15	19.6
- diluted earnings per share (cents per share)		29.15	19.6

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	874,815	813,340
Receivables	7	140,761	112,640
Other current assets	8	15,692	14,870
Total current assets		1,031,268	940,850
Non-current assets			
Property, plant and equipment	9	83,203	32,200
Intangible assets	10	17,513	27,509
Deferred tax assets	23	14,899	17,782
Total non-current assets		115,615	77,491
Total assets		1,146,883	1,018,341
Current liabilities			
Trade and other payables	11	63,803	64,200
Short-term financial liabilities	12	-	-
Short term provisions	13	34,842	36,777
Current tax liability	23	-	11,562
Total current liabilities		98,645	112,539
Non-current liabilities			
Long-term financial liabilities	12		
Long-term provisions	13	27,284	22,496
Total non-current liabilities		27,284	22,496
Total liabilities		125,929	135,035
Net assets		1,020,954	883,306
Equity			
Issued capital	14	594,490	594,490
Retained earnings / (accumulated losses)		426,464	288,816
Total equity		1,020,954	883,306

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Share Capital (Ordinary shares)	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 July 2008	594,490	231,805	826,295
Total comprehensive income for the year	-	116,460	116,460
Subtotal	594,490	348,265	942,755
Dividends paid or provided for	-	(59,449)	(59,449)
Balance at 30 June 2009	594,490	288,816	883,306
Balance at 1 July 2009	594,490	288,816	883,306
Total comprehensive income for the year	-	173,317	173,317
Subtotal	594,490	462,133	1,056,623
Dividends paid or provided for	-	(35,669)	(35,669)
Balance at 30 June 2010	594,490	426,464	1,020,954

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Receipts from customers		1,226,713	1,080,362
Payments to suppliers and employees		(1,021,648)	(945,685)
Interest received		35,879	54,187
Income tax paid		(78,850)	(103,673)
Net cash flows provided by operating activities	15	162,094	85,191
Cash flows from investing activities			
Purchase of property, plant and equipment		(64,950)	(19,763)
Net cash used in investing activities		(64,950)	(19,763)
Cash flows from financing activities			
Net cash flows (used in financing activities)		(35,669)	(59,449)
Net increase in cash held		(35,669)	(59,449)
Cash and cash equivalents at beginning of financial year		813,340	807,361
Cash and cash equivalents at end of financial year	6	874,815	813,340

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company as an individual entity. The Company is a public Company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Notes to the financial statements continued

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Notes to the financial statements continued

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in 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 year.

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.

(d) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Notes to the financial statements continued

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 Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and subsequent measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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.

iii. 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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The Company does not hold any derivative instruments.

Notes to the financial statements continued

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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.

Notes to the financial statements continued

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Notes to the financial statements continued

Key estimates – impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2010. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2010 amounting to \$17,513.

(o) Adoption of new and revised accounting standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Company.

AASB 8: Operating segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Company's financial statements.

Measurement impact

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Notes to the financial statements continued

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of financial statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact

Terminology changes – the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

Notes to the financial statements continued

(p) New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held-to-maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
 - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.

Notes to the financial statements continued

- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements

Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

- AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

- AASB 2009-9: Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.

- AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Company.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends

AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Company.

Notes to the financial statements continued

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

- AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

(q) Authorisation for financial report

The financial report was authorised for issue on 27 August 2010 by the Board of Directors

Notes to the financial statements continued

	2010 \$	2009 \$
Note 2. Revenue		
Franchise margin income	1,216,556	1,048,804
Interest revenue	35,879	54,188
Other income	38,278	41,812
	1,290,713	1,144,804

Note 3. Expenses

Advertising and marketing	22,812	20,404
ATM leasing and running costs	50,792	44,555
Bad debts	325	741
Community sponsorship and donations	89,315	66,233
Freight and postage	16,378	6,082
Insurance	16,367	15,498
IT leasing and running costs	39,843	42,704
Occupancy running costs	15,040	14,652
Printing and stationery	30,487	21,553
Rental on operating lease	70,215	75,475
Other operating expenses	173,012	136,862
	524,586	444,723
Remuneration of the Auditors of the Company		
Audit services	8,898	8,484
Other Services	5,865	5,050
	14,763	13,534

Notes to the financial statements continued

Note 4. Income tax expense

No income tax is payable by the Company as it has recouped tax losses previously brought to account for income tax purposes.

a. The components of tax expense comprise:

Current tax	67,286	62,209 :
Deferred tax (Note 23)	2,883	(4,203)
	70,169	58,006

b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit before income tax at 30% (2009: 30%)	73,046	52,340
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	2,999	2,999
- other non-allowable items	-	5,899
Less:		
Tax effect of:		
- other allowable items	(337)	(3,232)
- overprovision of prior year tax	(5,539)	-
Income tax attributable to the Company	70,169	58,006

Note 5. Key management personnel compensation

a. Names and positions

<i>Name</i>	<i>Position</i>
David Waddell	Non-Executive Director / Chairman
Peter Drown	Non-Executive Director
Ian IIsley	Non-Executive Director / Company Secretary / Treasurer
Colin Frizzell	Non-Executive Director
Stanley Brice	Non-Executive Director
Andrew Brown	Non-Executive Director
Leonie Hansen	Non-Executive Director
Tracey Brown	Non-Executive Director
Dawn Simmonds	Non-Executive Director
Noel Herbert	Non-Executive Director

Notes to the financial statements continued

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options

c. Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

d. Shareholdings

Number of ordinary shares held by key management personnel

2010	Ordinary Shares			
	<i>Balance at beginning of period</i>	<i>Perchased during the period</i>	<i>Other changes</i>	<i>Balance at end of period</i>
Directors				
David Waddell	2,500	-	-	2,500
Peter Drown	1,200	-	-	1,200
Ian IIsley	2,500	-	-	2,500
Colin Frizzell	6,000	-	-	6,000
Stanley Brice	-	-	-	-
Andrew Brown	-	-	-	-
Leonie Hansen	-	-	-	-
Tracey Brown	-	-	-	-
Dawn Simmonds	-	-	-	-
Noel Herbert	-	-	-	-
	12,200	-	-	12,200

Notes to the financial statements continued

	2010	2009
	\$	\$

Note 6. Cash and cash equivalents

Cash at bank and in hand	874,815	813,340
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Reconciliation of cash

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

Cash and cash equivalents	874,815	813,340
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Note 7. Trade and other receivables

Accrued Income	12,863	-
Income Tax Refundable	6,964	-
Trade debtors	120,934	112,640
	140,761	112,640

a. Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

There is no provision for impairment of receivables.

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 8. Other assets

Current

Prepayments	15,692	14,870
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Note 9. Property, plant and equipment

Plant and equipment

Cost	245,104	180,154
Accumulated depreciation	(161,901)	(147,954)
	83,203	32,200

Movements in carrying amount

Balance at the beginning of the year	32,200	21,502
Additions	64,950	19,763
Disposals	-	-
Depreciation expense	(13,947)	(9,065)
Carrying amount at end of year	83,203	32,200

Note 10. Intangible assets

Franchise fee

Cost	50,000	100,000
Accumulated amortisation	(32,487)	(72,491)
	17,513	27,509

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Ltd, the Company operates a branch of Bendigo and Adelaide Bank Ltd, providing a core range of banking products and services.

Note 11. Trade and other payables

Trade creditors and accruals	43,375	40,302
GST payable	20,428	23,898
	63,803	64,200

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 12. Financial liabilities

Current	-	-
Non current	-	-

Note 13. Provisions

Current		
Provision for employee entitlements	34,842	36,777
Non current		
Provision for employee entitlements	27,284	22,496
Number of employees at year end	9	9

Note 14. Equity

594,490 (2009: 594,490) fully paid ordinary shares	594,490	594,490
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Note 15. Cash flow information

a. Reconciliation of cash flow from operations with profit after tax

Profit after tax	173,317	116,460
Depreciation and amortisation	23,943	19,061
<i>Movement in assets and liabilities</i>		
Receivables	(28,121)	(5,696)
Other assets	(822)	(1,611)
Payables	(397)	(11,366)
Deferred tax asset	2,833	(4,203)
Provisions	2,853	14,010
Current tax liability	(11,562)	(41,464)
Net cash provided by operating Activities	162,094	85,191

b. Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present.

Notes to the financial statements continued

Note 16. Related party transactions

Ward & Ilsley Partners Pty Ltd received \$16,689 for treasury and consultancy fees. No other related parties have not entered into a transaction with the Company during the financial years ended 30 June 2010 and 30 June 2009.

	2010	2009
	\$	\$

Note 17. Leasing commitments

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

Payable		
Not longer than 1 year	68,298	68,298
Longer than 1 year but not longer than 5 years	56,914	125,212
	125,212	193,510

Note 18. Dividends

Distributions paid

Interim fully franked ordinary dividend of 6 (2009:10)

cents per share franked at the tax rate of 30% (2009: 30 %) **35,669** **59,449**

a. Balance of franking account at beginning of year

adjusted for franking credits arising from:	191,833	113,640
- payment of provision for income tax	85,812	103,640
- Dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	(15,287)	(25,478)
	262,358	191,833

Notes to the financial statements continued

Note 19. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements. The main purpose of non-derivative financial instruments is to raise finance for Company operations. The Company does not have any derivative instruments at 30 June 2010.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

iii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2010.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2010 and 30 June 2009 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The Company is not exposed to any material commodity price risk.

Notes to the financial statements continued

c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

2010	Variable		Fixed			Total
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years	Non Interest bearing	
<i>Financial assets</i>						
Cash and cash equivalents	0.05%	201,831	-	-	689	202,520
Short term deposits	5.85%	-	672,295	-	-	672,295
Loans and receivables		-	-	-	-	-
Total financial assets		201,831	672,295	-	121,623	995,749
<i>Financial liability</i>						
Trade and other payables	-	-	-	-	63,803	63,803
Total financial liabilities	-	-	-	-	63,803	63,803
2009						
	Variable		Fixed			Total
	Weighted average effective interest rate	Floating interest rate	Within 1 year	Within 1 to 5 years	Non Interest bearing	
<i>Financial assets</i>						
Cash and cash equivalents	0.05%	65,873	-	-	663	66,536
Short term deposits	4.35%	-	746,804	-	-	746,804
Loans and receivables		65,873	746,804	-	113,303	925,980
Total financial assets		65,873	746,804	-	113,303	925,980
<i>Financial liability</i>						
Trade and other payables		-	-	-	64,200	64,200
Total financial liabilities		-	-	-	64,200	64,200
Trade and sundry payables are expected to be paid as followed:						
Less than 6 months				63,803		64,200

Notes to the financial statements continued

d. Net fair values

The net fair values of investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Fair values are materially in line with carrying values.

e. Sensitivity analysis

i. Interest rate risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

ii. Interest rate sensitivity analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2010	Carrying amount \$	-2%		+2%	
		Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial assets</i>					
Cash and cash equivalents	201,831	(4,037)	(4,037)	4,037	4,037

2009	Carrying amount \$	-2%		+2%	
		Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial assets</i>					
Cash and cash equivalents	265,873	(1,317)	(1,317)	1,317	1,317

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

Notes to the financial statements continued

20. Operating segments

Types of products and services by segment

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Ltd in Western Australia.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Comparative information

Major customers

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Ltd, which accounts for all of the franchise margin income.

21. Events after the balance sheet date

The Board of Mandurah Community Financial Services Ltd has approved the establishment of a second banking site. In addition the Bendigo & Adelaide Bank Ltd has given its approval, subject to certain conditions for the establishment of a second site in Meadow Springs locality of the City of Mandurah.

The announcement that a second site has been approved has been made to market; however, whilst the process to formally establish the site is underway, it is still subject to the formal leasing of suitable premises. With that in mind, Mandurah Community Financial Services Limited/Bendigo and Adelaide Bank Ltd is jointly negotiating with representatives of the owners of the Meadow Springs Shopping Centre. These negotiations are nearing completion, and there is a high probability that the company will open the franchise branch for business on Monday 15 November 2010.

22. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 23. Tax		
a. Liability		
Current		
Income tax	-	11,562
b. Assets		
Deferred tax assets comprise:		
Provisions	14,899	17,782
c. Reconciliations		
i. Gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	17,782	13,579
(Charge)/credit to income statement	(2,883)	(4,203)
Closing balance	14,899	17,782
ii. Deferred tax assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	17,782	13,579
(Charge)/credit to the income statement	(2,883)	4,203
Charge to equity	-	-
Closing balance	14,899	17,782

24. Company details

The registered office of the Company is:

C/- Ward & Ilsley Partners Pty Ltd

55C Mandurah Terrace

Mandurah WA 6210

The principal place of business of the Company is:

Halls Head Shopping Centre

Shop 7 Peelwood Parade

Halls Head WA 6210

Directors' declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard; and
 - b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
4. the financial statements and notes thereto also comply with International Reporting Standards, as disclosed in Note 1.

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

Director



Dated this

27th day of August 2010

Independent audit report

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Community Financial Services Limited ("the company"), which comprises the balance sheet as at 30 June 2010 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. the financial report of Community Financial Services Limited is 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 year ended on that date; and

¹Liability limited by a scheme approved under Professional Standards Legislation

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Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Independent audit report

- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the financial 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 Community Financial Services Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*

RSM BIRD CAMERON PARTNERS

Chartered Accountants



David Wall

Partner

Perth, Western Australia

Date: 27 August 2010.

BSX report

Share information

Additional Information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 27 July 2010.

(a) Distribution of equity securities

The numbers of shareholders, by size of holding, are:

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

Number of shares held	Number of holders	Number of shareholders
1 to 1,000	341	159,757
1,001 to 5,000	85	237,533
5,001 to 10,000	8	72,000
10,001 to 100,000	7	125,200
100,001 and over	0	0
Total shareholders	441	597,490

There are currently 169 holders of parcels less than the minimum 500. Their holdings total 25,857 shares.

(b) Ten largest shareholders

The names of the ten largest shareholders of quoted shares are:

Listed ordinary shares

Shareholder	Number of shares	Number of ordinary shares
Mr Richard Everitt Thorne	27,000	27,000
Mr Gerald Francis Pauley & Mr Michael James Pauley (Pauley Superannuation Fund A/C)	20,000	20,000
Mr Mark Alan Mather	20,000	20,000
Mrs Joan Mary Woodard	18,000	18,000
Mrs Kaye Lynnette Mc Villy	15,000	15,000
Winpar Holdings Limited	14,900	14,900
Mr Geoffrey Bruce Thomas & Mrs Joan Erica Thomas (The Siglos Superannuation Fund A/C)	10,000	10,000
Mrs Joan Annie Cooper	10,000	10,000
Mr Samuel Stephen Keith Cooper	10,000	10,000
Mr Patrick John Croker	10,000	10,000
Mr Douglas Hendy Milner	10,000	10,000
Mr Fonny Rumkorf & Mrs Hendricus Yohannes Rumkorf	10,000	10,000

BSX report continued

(c) Voting rights

Each shareholder has one vote.

(d) Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable. The Board recognizes the importance of a strong corporate governance focus and methodology. The Board has completed a comprehensive set of policies and procedures that will govern our Company into the future. We believe that building a policy framework will assist to clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making. Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors and a maximum of 10:
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position
David Waddell	Chairman
Colin Frizzell	Deputy Chairman
Ian Ilsley	Secretary / Treasurer
Tracey Brown	Director
Andrew Brown	Director
Noel Herbert	Director
Dawn Simmonds	Director
Leonie Hansen	Director

BSX report continued

Board responsibilities

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved.

These mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Monitoring of the Board's performance and communication to shareholders In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Board. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.
- Regular Shareholder newsletters.

The Board does have an Audit Committee

(e) Name of Company Secretary:

Ian Ilesley

(f) Address and telephone number of registered office:

Unit 55C Mandurah Terrace,
Mandurah WA 6210
Phone: (08) 9535 5900
Fax: (08) 9581 1096

(g) Address and telephone number of office at which securities register is kept.

Richmond Sinnott Delahunty Pty Ltd
PO Box 30
Bendigo VIC 3552
Phone: (03) 5443 1177
Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
Website: www.rsdadvisors.com.au

(h) Trading history

The trading history for Mandurah Community Financial Services Limited is available on the BSX website at www.bsx.com.au

Halls Head **Community Bank**[®] Branch
Shop 7, Halls Head Shopping Centre, Corner Peelwood &
Glencoe Parades, Halls Head WA 6210
Phone: (08) 9586 1399 Fax: (08) 9586 1522

Franchisee: Mandurah Community Financial Services Limited
c/- Ward & Ilesley Partners Pty Ltd
55c Mandurah Terrace, Mandurah WA 6210
ABN: 56 098 081 308

www.bendigobank.com.au/hallshead
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(KKWAR10005) (09/10)

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