annual report 2010

Molonglo Financial Services Limited

ABN 77 100 097 443

Calwell and Wanniassa **Community Bank®** branches

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Chairman's report

For year ending 30 June 2010

It is with great pleasure I present the eighth Annual Report for the Company and my first as Chairman for the year ended 30 June 2010. Our Company has changed its name to Molonglo Financial Services (MFS) with a view to better reflect our wider branch network and broadening community within the region. MFS continues to provide profits for shareholders and the community we serve. This is evidenced by the fact that, in the aftermath of the GFC and a highly competitive marketplace, we have again generated substantial net gains from our trading activities.

I am pleased to report that our existing **Community Bank®** branches at Calwell and Wanniassa continue to grow. Whilst many other financial institutions have experienced downturns in business levels, we have continued to show growth in the number of new accounts and in the number of loan applications, which we believe to be an excellent result.

In line with our strategic plan which identifies the aim of opening several new outlets over the next few years, a **Community Bank®** branch for the Jerrabomberra community is now at the prospectus launch stage to raise the capital required of $465,000 by the sale of shares in MFS to finance our expansion into that community. Having fulfilled the requirements in the pledge and feasibility stages of a **Community Bank®** campaign during 2009/2010 we now enter the exciting stage, where with the support of the residents of Jerrabomberra and hopefully many of our existing shareholders we will raise the funds quickly to open our new branch at Jerrabomberra early in 2011.

As reported previously we had been investigating opportunities in Weston Creek and the Woden area for branches or ATMs. As a result of the CBA's closure of its Curtin branch (leaving that community with no bank branches at all), we have been able to forge an allegiance with that community resulting in the steering committee in Curtin deciding to ask for our partnership in obtaining a **Community Bank®** branch for the Woden community, to be located in Curtin. The pledge stage of that campaign has been heavily supported by community groups, schools, local businesses and residents and is likely to enter the feasibility phase by late this year, prospectus by March 2011 and, if successful, a fourth **Community Bank®** branch for the MFS network by mid next year.

In addition our fee-free ATM network has continued to expand as promised including an agreement with Suncorp to allow customers fee free use of that network. In addition new machines have been installed at DFO (2), Woden Shopping Square, Belconnen Mall, Canberra Centre, Lanyon Market Place, Gungahlin (2) and shortly, Curtin shopping centre and Tuggeranong Hyperdome. There are now 21 ATMs in the ACT and numerous Suncorp locations which customers can now access without cost.

Our 2009 dividend of 5.5 cents per share (fully franked) was an excellent result, particularly on the back of the 2008 economic meltdown in many countries and the GFC which caused concerns about the international economic situation. Our Company's performance was supported by an independent valuation of the share value at between $2.60 and $2.98 for each of the original $1 shares issued in 2002. In light of our upcoming prospectus in Jerrabomberra the Board decided to approve a 3 for 2 bonus share issue. This issue was intended to bring the share values back to $1 to make the shares of equal value to the new $1 shares being offered in relation to the Jerrabomberra expansion.

Our 2010 dividend of 3 cents per share (fully franked) will represent a 7.5% return on the original distributed share capital, and a substantial net increase in returns to our shareholders on previous years. This is again an impressive result and is indicative of the profitability of the Company in an expansionist phase of its development, particularly when combined with the Board's decision to substantially increase our contribution to community groups and projects. This year we increased our community donations by over $150,000 to a record high of $270,000. This massive increase has decreased our net operating profit accordingly. However our projected profit for 2010/2011 and our substantial cash reserves gave the Board confidence of an adequate margin to warrant our increased support for needy groups in our community.

At the Board level we have continued to identify and seek out high quality Directors with skill sets that will complement and enhance the impressive capabilities of the existing Board. Former Chairman Peter Strong's resignation from the Board to take up a full time position as Executive Director of the Council of Small Business of Australia (COSBOA) left large shoes to fill. We thank Peter for his many years of service and wish him well in his new endeavor.

As a result of Peter's resignation we have been able to secure the services, as a Director, of Neale Guthrie a former army officer retired as a Lieutenant Colonel in 1998 to pursue a career in the corporate world, managing motorsport events in both Australia and New Zealand, the ACT's tourism involvement with the 2003 Rugby World Cup event, and became General Manager Events and Operations at Canberra Stadium. In 2005 he returned briefly to Manage ACT Tourism's Events Unit before becoming Chief Executive Officer of the Stadiums Authority and, following a major restructure of ACT Government business, Group General Manager of the Territory Venues and Events with responsibility for development and management of Canberra Stadium, Manuka Oval and Stromlo Forest Park. Neale's Event Management and Marketing experience serves to strengthen the Board in an area which had been lacking previously, and he has already contributed strongly to our strategic direction and, together with our current Board enhances our ability to effectively build the business and deal with the challenges that will present themselves in the coming years.

As you are aware the shareholders last year approved an increase in Directors fees, we will again seek the approval of shareholders to make this an annual remuneration at the same level as approved last year.

I thank all Board members for their time and effort during the last twelve months and also thank Mili Dukic, our Company Secretary and Executive Manager, for her tireless contributions and support.

Most importantly, we are again very pleased to be able to continue a program of returning, as mentioned above, record proportion of our profits to our community by way of community contributions. These investments in our community have included:

- Oz Harvest
- Autism Aspergers Association
- RSPCA
- Tandem
- HOME in Queanbeyan
- Special Olympics
- Clare Holland House

Chairman's report continued

As well as these major projects we also continue to fund a number of other smaller community projects such as several local schools and charities.

Importantly, I would like to acknowledge the work of Debbie McLellan and Toby Mahoney, our Branch Managers. They have both worked above and beyond the call of duty to ensure customers, Bendigo Bank, shareholders and a sometimes demanding Board were all kept happy. Without people dedicated to their branches and their staff like these two we would be hard pressed to produce the results we do. Our business relies on them and our hard working staff, and we appreciate their many hours of additional work.

I would also like to acknowledge the support from Bendigo and Adelaide Bank Ltd and the staff of the Community Strengthening team based in Sydney, in particular Nicholas Brooks for his continuing help with both the Jerrabomberra and Curtin campaigns. His productivity and efficiency make him, in our view, one of the Bank's most valuable people. I offer special thanks to the Regional Manager for the ACT and southern NSW, Dion Christie, who shares our vision for the expansion of the **Community Bank®** model and has been outstanding in his support for the Board and providing guidance to our Managers.

Finally, I would like to thank all staff at both the Calwell and Wanniassa **Community Bank®** branches for their dedication and their ongoing commitment and contributions that have been made throughout the year. There is no doubt that our staff, and their hard work, are the key to our achievements and I look forward to another successful and exciting year ahead.

Jayson Hinder
Chairman

Manager's report

For year ending 30 June 2010

Overall 2009/2010 was a year of mixed results, however in this time we have also had some great achievements.

Molonglo Financial Services posted a NPBT of $112,000 after sponsorships and grants to local community organisations of $274,362. This is an increase of approximately $150,000 in sponsorships and grants from the last financial year.

Funds under management for the Company as at 30 June 2010 totalled $139.5 million being an increase of $4.8 million on the 2009 financial year.

October 2009 saw a change at the helm for both our Calwell and Wanniassa branches. After eight years in Business Banking at the Canberra branch, Deb McLellan took on the Calwell **Community Bank®** Branch Manager's position, whilst Wanniassa introduced Toby Mahoney as its new Branch Manager after coming from a Bendigo Bank branch in Tasmania.

2009/2010 also saw Alex Miller (Wanniassa) and Tristina Ryan (Calwell) move on to positions in the Bank's regional office. These two vacancies were then filled by Brittany Von Mengersen (Wanniassa) and Valarie Collett (Calwell). We also saw Geraldine McQuillan move into the Customer Relationship Officer position at Wanniassa, while Sheree Kent and Tania Hobson took the next step up as Customer Service Supervisors at Calwell.

Examples of our achievements during the year are:-

- School Banking program introduced to local schools
- Staff involvement in community engagement has increased significantly
- Increase in branch staff development
- Increased business growth opportunities with new and continued development within the Jerrabomberra and Curtin districts
- Large increase in community projects

We would like to thank our staff, the Board and shareholders for their support in 2009/2010 and look forward to continue to build on these relationships in 2010/2011.

Debbie McLellan	**Toby Mahoney**
Branch Manager	**Branch Manager**

Directors' report

For the financial year ended 30 June 2010

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

Directors

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

Jayson Richard Hinder

Chairman

Age: 44

Occupation: Solicitor and Barrister

Lance Prior

Deputy Chairman

Age: 39

Occupation: Club Manager

Nicholas Kalogeropoulos

Treasurer

Age: 36

Occupation: Public Servant

Ronald Alfred Kingsbury OAM

Director

Age: 81

Occupation: Retired

Maria Grazia Porreca

Director

Age: 59

Occupation: Company Director

George William Kelly OAM

Director

Age: 78

Occupation: Real Estate Agent

Alan Hodges AM

Director

Age: 70

Occupation: Consultant

Richard John Rolfe OAM

Director

Age: 47

Occupation: Motor Dealer

Nadine Lee White

Director

Age: 38

Occupation: Human Resources Manager

Neale Desmond Guthrie

Director (Appointed 26 July 2010)

Age: 50

Occupation: CEO Territory Venues & Events

Peter James Strong

Director (Resigned 26 July 2010)

Age: 56

Occupation: Business Consultant

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

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

Company Secretary

The company secretary is Milica Dukic. Mili is the Company's Administration Officer and was appointed to the position of Company Secretary on 17 December 2007. Mili has 17 years of administration experience for legal firms.

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 $
	84,987	230,573

Remuneration Report

In setting the remuneration policy of Molonglo Financial Services Limited, the board recognises the company has been formed to govern the **Community Bank®** branch as it returns banking services to the community, provides contributions to community projects and the shareholders who contributed the capital.

The legal and moral obligations of the Board are onerous, as is the time contributed by the Board on the ongoing governance of the Company. In recognition of this, the Board may be remunerated for its efforts, at the Board's discretion. As the organisation matures and the demands on the time of the Directors increase, the prospect becomes more likely and appropriate.

The remuneration will be subject to the following:

- Consultation with shareholders prior to a recommendation being made by the Board.
- The amount payable to directors being ratified by shareholders at the Annual General Meeting.
- Directors' remuneration is made in line with the philosophies of **Community Bank®** .

The remuneration for the Business Development Manager was arrived at after consultation with Bendigo and Adelaide Bank Limited and set in line with the employee's peers in the bank network. Performance payments did not form a part of the remuneration package.

Remuneration Report (continued)

The remuneration for each Director and each of the executive officers of the company during the financial year was as follows:

Directors	Salary, Fees & Commissions $	Superannuation Contributions $	Cash Bonus $	Non-cash Benefits $	Total $
J Hinder	4,738	-	-	330	5,068
L Prior	3,425	-	-	330	3,755
N Kalogeropoulos	3,100	-	-	330	3,430
R Kingsbury	3,100	-	-	330	3,430
M Porreca	1,850	-	-	330	2,180
A Hodges	3,700	-	-	330	4,030
G Kelly	1,850	-	-	330	2,180
N White	3,950	-	-	330	4,280
R Rolfe	1,850	-	-	330	2,180
P Strong	4,187	-	-	330	4,517
	31,750	**-**	**-**	**3,300**	**35,050**

Directors	Salary, Fees & Commissions $	Superannuation Contributions $	Cash Bonus $	Non-cash Benefits $	Total $
R Haley	25,179	2,266	-	330	27,775
	25,179	**2,266**	**-**	**330**	**27,775**

Employment contracts of Directors and Senior Executives

During the financial year, payments totalling $3,978 were made to Meyer Vandenberg Lawyers, a firm that Jayson Hinder is a partner, for legal services to the Company.

The Business Development Manager, Raymond Haley, resigned his position with the company effective from 18 September 2009. The replacement for this position is a seconded staff member employed by Bendigo and Adelaide Bank Limited. As a result are no other employees of the company whose remuneration requires disclosure.

Dividends	Year Ended 30 June 2010 Cents	$
Dividends paid in the year:		
- Final dividends for prior year	5.5	55,440

Significant Changes in the State of Affairs

During the finanical year the company changed its name from Tuggeranong Valley Financial Services Limited to Molonglo Financial Services Limited, effective from 19 November 2009.

The directors' also moved to have a feasibility study performed to determine the viability of opening a third branch in Jerrabomberra. Following positive indications from the feasibility study it was decided to proceed with preparation of a prospectus for the purposes of raising capital for the establishment of the third branch. The mimium subscription of ordinary shares in the company available via the prospectus is 465,000, with a maximum of up to 800,000 able to be accepted. This decision may affect the operations of the company and the results of those operations or state of affairs of the company in future years.

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors Meetings

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

	Board Meetings Attended	
	Eligible	Attended
Jayson Richard Hinder	12	11
Lance Prior	12	10
Nicholas Kalogeropoulos	12	10
Ronald Alfred Kingsbury	12	9
Maria Grazia Porreca	12	11
George William Kelly	12	9
Alan Hodges	12	10
Richard John Rolfe	12	6
Nadine Lee White	12	11
Neale Desmond Guthrie	-	-
Peter James Strong (Resigned 26 July 2010)	12	10

The Board has sub-committees for Audit/Finance, Business Development and Marketing, Community Partnerships and Relations and Human Resources and Organisational. The sub-committees met on an informal and as needed basis during the financial year and presenet a report to the Board meetings as required.

Non Audit Services

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

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

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

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

Directors' report continued

Auditors' Independence Declaration

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

Signed in accordance with a resolution of the board of directors at Calwell, Australian Capital Territory on 20 September 2010.

Jayson Richard Hinder,	**Lance Prior,**
Chairman	**Deputy Chairman**

Auditor's independence declaration

partners in success
Chartered Accountants & Business Advisors

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afs@afsbendigo.com.au
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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Molonglo 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
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 20th day of September 2010

Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	4	1,615,193	1,490,776
Employee benefits expense		(779,752)	(653,891)
Charitable donations, sponsorship, advertising and promotion		(274,494)	(115,721)
Occupancy and associated costs		(143,474)	(139,834)
Systems costs		(43,297)	(45,250)
Depreciation and amortisation expense	5	(52,818)	(53,085)
Finance costs	5	(2,980)	(2,943)
General administration expenses		(206,166)	(203,200)
Profit before income tax expense		**112,212**	**276,852**
Income tax expense	6	(27,225)	(46,279)
Profit after income tax expense		**84,987**	**230,573**
Total comprehensive income for the year		**84,987**	**230,573**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	23	8.13	22.87
- dividends paid per share	21	5.5	5.0

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	583,657	542,070
Trade and other receivables	8	123,877	139,425
Total Current Assets		**707,534**	**681,495**
Non-Current Assets			
Property, plant and equipment	9	193,250	252,504
Intangible assets	10	50,000	70,000
Deferred tax assets	11	14,256	18,030
Total Non-Current Assets		**257,506**	**340,534**
Total Assets		**965,040**	**1,022,029**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	54,488	51,556
Current tax liabilities	11	5,609	40,398
Borrowings	13	9,174	7,946
Provisions	14	24,007	38,266
Total Current Liabilities		**93,278**	**138,166**
Non-Current Liabilities			
Trade and other payables	12	18,024	21,024
Borrowings	13	21,413	26,782
Provisions	14	6,888	24,646
Total Non-Current Liabilities		**46,325**	**72,452**
Total Liabilities		**139,603**	**210,618**
Net Assets		**825,437**	**811,411**
Equity			
Issued capital	15	992,486	1,008,007
Accumulated losses	16	(167,049)	(196,596)
Total Equity		**825,437**	**811,411**

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	**1,008,007**	**(376,769)**	**631,238**
Total comprehensive income for the year	**-**	**230,573**	**230,573**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(50,400)	(50,400)
Balance at 30 June 2009	**1,008,007**	**(196,596)**	**811,411**
Balance at 1 July 2009	**1,008,007**	**(196,596)**	**811,411**
Total comprehensive income for the year	**-**	**84,987**	**84,987**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(15,521)	-	(15,521)
Dividends provided for or paid	-	(55,440)	(55,440)
Balance at 30 June 2010	**992,486**	**(167,049)**	**825,437**

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		1,767,306	1,572,138
Payments to suppliers and employees		(1,610,000)	(1,347,816)
Interest received		23,869	25,803
Interest paid		(2,980)	(2,943)
Income taxes paid		(64,536)	(17,614)
Net cash provided by operating activities	**17**	**113,659**	**229,568**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(29,217)
Net cash used in investing activities		**-**	**(29,217)**
Cash Flows From Financing Activities			
Payment for share issue costs		(12,491)	-
Repayment of borrowings		(4,141)	(5,532)
Dividends paid		(55,440)	(50,400)
Net cash used in financing activities		**(72,072)**	**(55,932)**
Net increase in cash held		**41,587**	**144,419**
Cash and cash equivalents at the beginning of the financial year		542,070	397,651
Cash and cash equivalents at the end of the financial year	**7(a)**	**583,657**	**542,070**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

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

Historical cost convention

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

Comparative figures

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Calwell and Wanniassa.

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.

Thefranchise 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.

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement (continued)

(iii) Financial liabilities

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

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.

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.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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

	2010 $	2009 $
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	1,588,595	1,448,473
- other revenue	-	20,000
Total revenue from operating activities	**1,588,595**	**1,468,473**
Non-operating activities:		
- interest received	26,598	22,303
Total revenue from non-operating activities	**26,598**	**22,303**
Total revenues from ordinary activities	**1,615,193**	**1,490,776**
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	8,711	8,641
- leasehold improvements	24,107	24,444
Amortisation of non-current assets:		
- franchise agreement	4,000	4,000
- franchise renewal fee	16,000	16,000
	52,818	**53,085**
Finance costs:		
- interest paid	**2,980**	**2,943**
Bad debts	3,435	4,307

	Note	2010 $	2009 $

Note 6. Income Tax Expense

	Note	2010 $	2009 $
The components of tax expense comprise:			
- Current tax		23,450	43,296
- Movement in deferred tax		3,775	(18,030)
- Recoup of prior year tax loss		-	21,013
		27,225	**46,279**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		112,212	276,852
Prima facie tax on profit from ordinary activities at 30%		33,664	83,055
Add tax effect of:			
- non-deductible expenses		6,000	6,000
- timing difference expenses		(10,982)	(3,733)
- other deductible expenses		(5,232)	(21,013)
		23,450	**64,309**
Movement in deferred tax	**11**	**3,775**	**(18,030)**
		27,225	**46,279**

Note 7. Cash and Cash Equivalents

	Note	2010 $	2009 $
Cash at bank and on hand		68,370	207,025
Term deposits		515,287	335,045
		583,657	**542,070**
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		68,370	207,025
Term deposits		515,287	335,045
		583,657	**542,070**

Notes to the financial statements continued

	2010 $	2009 $

Note 8. Trade and Other Receivables

	2010 $	2009 $
Trade receivables	114,706	132,984
Other receivables & accruals	5,541	2,811
Prepayments	3,630	3,630
	123,877	**139,425**

Note 9. Property, Plant and Equipment

	2010 $	2009 $
Plant and equipment		
At cost	41,395	70,062
Less accumulated depreciation	(21,955)	(15,474)
	19,440	**54,588**
Leasehold improvements		
At cost	352,276	352,276
Less accumulated depreciation	(178,466)	(154,360)
	173,810	**197,916**
Total written down amount	**193,250**	**252,504**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	54,588	34,562
Additions	-	28,667
Disposals	(28,667)	-
Less: depreciation expense	(6,481)	(8,641)
Carrying amount at end	**19,440**	**54,588**
Leasehold improvements		
Carrying amount at beginning	197,916	221,811
Additions	-	550
Disposals	-	-
Less: depreciation expense	(24,106)	(24,445)
Carrying amount at end	**173,810**	**197,916**
Total written down amount	**193,250**	**252,504**

	2010 $	2009 $

Note 10. Intangible Assets

Franchise fee		
At cost	120,000	120,000
Less: accumulated amortisation	(110,000)	(106,000)
	10,000	**14,000**
Renewal processing fe		
At cost	80,000	80,000
Less: accumulated amortisation	(40,000)	(24,000)
	40,000	**56,000**
Total written down amount	**50,000**	**70,000**

Note 11. Tax

Current:		
Income tax payable	**5,609**	**40,398**
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	15,918	18,873
- tax losses carried forward	-	-
	15,918	**18,873**
Deferred tax liability		
- accruals	1,662	843
- deductible prepayments	-	-
	1,662	**843**
Net deferred tax asset	**14,256**	**18,030**
Movement in deferred tax charged to statement of comprehensive income	**3,774**	**(18,030)**

	Note	2010 $	2009 $

Note 12. Trade and Other Payables

	Note	2010 $	2009 $
Current:			
Trade creditors		26,743	11,261
Other creditors & accruals		24,745	37,295
Lease incentive		3,000	3,000
		54,488	**51,556**
Non-current:			
Lease incentive		18,024	21,024
		72,512	**72,580**

Note 13. Borrowings

	Note	2010 $	2009 $
Current:			
Credit card facilities		3,805	3,018
Lease liability	18	5,369	4,928
		9,174	**7,946**
Non-Current:			
Lease liability	**18**	**21,413**	**26,782**

Lease liabilities are secured by the assets under lease.

The credit card facilities are not secured. The company has two credit card facilities with the following credit limits:

Board: $5,000 (2009: $5,000)

Managers: $1,000 (2009: $1,000)

Note 14. Provisions

	Note	2010 $	2009 $
Current:			
Provision for annual leave		**24,007**	**38,266**
Non-Current:			
Provision for long service leave		**6,888**	**24,646**
Number of employees at year end		10	12

	2010 $	2009 $
Note 15. Contributed Equity		
2,520,014# ordinary shares fully paid (2009: 1,008,007)	1,008,007	1,008,007
Less: equity raising expenses	(15,521)	-
	992,486	**1,008,007**

1,512,007 ordinary shares were issued as part of a 3 for 2 bonus share issue in respect of all shareholdings on the company register as at the close of business on 21 June 2010. The bonus issue followed a formal business valuation undertaken as at 31 December 2009.

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.

Note 15. Contributed Equity (continued)

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 they control or own 10% or more of the shares in the company (the “10% limit”).

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

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

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

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	(196,596)	(376,769)
Net profit from ordinary activities after income tax	84,987	230,573
Dividends paid or provided for	(55,440)	(50,400)
Balance at the end of the financial year	**(167,049)**	**(196,596)**

	2010 $	2009 $

Note 17. Statement of Cashflows

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

	2010 $	2009 $
Profit from ordinary activities after income tax	84,987	230,573
Non cash items:		
- depreciation	32,818	33,085
- amortisation	20,000	20,000
- motor vehicle donation	26,437	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	15,549	(33,211)
- (increase)/decrease in other assets	3,775	(18,030)
- increase/(decrease) in payables	3,196	(33,589)
-increase in provisions	(32,017)	(9,658)
-increase/(decrease) in current tax liabilities	(41,086)	40,398
Net cashflows provided by operating activities	**113,659**	**229,568**

Note 18. Leases

Finance lease commitments

	2010 $	2009 $
Payable - minimum lease payments		
- not later than 12 months	7,464	7,464
- between 12 months and 5 years	23,548	31,013
- greater than 5 years	-	-
Minimum lease payments	31,012	38,477
Less future finance charges	(4,230)	(6,767)
Present value of minimum lease payments	**26,782**	**31,710**

The finance lease relates to the lease of a motor vehicle, which commenced in November 2007. The lease is for five years with an option to purchase at the end of the term. Lease payments are made monthly in advance and interest is recognised at an average rate of 8.6%. No contingent rental is payable and the liability is secured by the asset under lease.

Notes to the financial statements continued

	2010 $	2009 $

Note 18. Leases (continued)

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	91,292	91,292
- between 12 months and 5 years	265,631	304,162
- greater than 5 years	114,316	167,077
	471,239	**562,531**

The rental lease agreement on the Calwell branch premises is a non-cancellable lease with a fifteen year term, expiring on 31 August 2017. The rent payable is currently $52,761 per annum plus GST.

The rental lease agreement on the Wanniassa branch premises is a non-cancellable lease with a five year term, expiring 30 November 2012. There is an option available for a further five year term. The rent paybale is currently $38,531 per annum with no GST applicable.

Note 19. Auditors' Remuneration

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

- audit & review services	4,500	4,500
- share registry services	4,149	-
- consultancy	11,731	-
- non audit services	5,640	7,911
	26,020	**12,411**

Note 20. Director and Related Party Disclosures

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

Jayson Richard Hinder

Lance Prior

Nicholas Kalogeropoulos

Ronald Alfred Kingsbury

Maria Grazia Porreca

Alan Hodges

George William Kelly

Nadine Lee White

Richard John Rolfe

Peter James Strong (Resigned 26 July 2010)

There were no related party transactions during the financial year apart from those relating to Key Management Personnel, which are separately disclosed under note 22 in this report.

Directors Shareholdings	**2010**	**2009**
Jayson Richard Hinder	5,001	5,001
Lance Prior	-	-
Nicholas Kalogeropoulos	-	-
Ronald Alfred Kingsbury	-	-
Maria Grazia Porreca	1,001	1,001
Alan Hodges	-	-
George William Kelly	501	501
Nadine Lee White	-	-
Richard John Rolfe	-	-
Peter James Strong (Resigned 26 July 2010)	-	-

There was no movement in directors shareholdings during the year.

	2010 $	2009 $

Note 21. Dividends Paid or Provided

a. Dividends paid during the year

	2010 $	2009 $
Current year interim dividend		
Unfranked dividend - nil cents (2009: 2.5 cents) per share	-	25,200
Prior year final dividend		
Unfranked dividend - nil cents (2009: 2.5 cents) per share	-	25,200
Fully franked dividend - 5.5 cents (2009: nil cents) per share	55,440	-
	55,440	**50,400**

The tax rate at which dividends have been franked is 30% (2009: nil).

Dividends proposed will be franked at a rate of 30% (2009: nil).

d. Franking account balance

	2010 $	2009 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	58,390	17,614
- franking credits that will arise from payment of income tax payable as at the end of the financial year	5,609	-
- 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:	63,999	17,614
- 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	**63,999**	**17,614**

Note 22. Key management personnel disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director of the entity.

The names and positions held by key management personnel in office at any time during the year were:

Key Management Person	Position
Jayson Richard Hinder	Chairman - Non-executive
Lance Prior	Deputy Chairman - Non-executive
Nicholas Kalogeropoulos	Treasurer - Non-executive
Ronald Alfred Kingsbury	Director - Non-executive
Maria Grazia Porreca	Director - Non-executive
Alan Hodges	Director - Non-executive
George William Kelly	Director - Non-executive
Nadine Lee White	Director - Non-executive
Richard John Rolfe	Director - Non-executive
Peter James Strong	Director - Non-executive (Resigned 26 July 2010)
Raymond Haley	Business Development Manager (Resigned 18 September 2009)

Key management personnel compensation

The compensation for each key management person of the Company was as follows:

Key Management Person	Salary, Fees & Commissions 2010 $	Salary, Fees & Commissions 2009 $	Superannuation Contributions 2010 $	Superannuation Contributions 2009 $	Non-cash Benefits* 2010 $	Non-cash Benefits* 2009 $	Total 2010 $	Total 2009 $
J Hinder	4,738	750	-	-	330	340	5,068	1,090
L Prior	3,425	750	-	-	330	340	3,755	1,090
N Kalogeropoulos	3,100	750	-	-	330	340	3,430	1,090
R Kingsbury	3,100	750	-	-	330	340	3,430	1,090
M Porreca	1,850	750	-	-	330	340	2,180	1,090
A Hodges	3,700	750	-	-	330	340	4,030	1,090
G Kelly	1,850	750	-	-	330	340	2,180	1,090
N White	3,950	119	-	-	330	340	4,280	459
R Rolfe	1,850	62	-	-	330	340	2,180	402
P Strong	4,187	750	-	-	330	340	4,517	1,090
R Haley	25,179	96,274	2,266	7,730	330	340	27,775	104,344
	56,929	**102,454**	**2,266**	**7,730**	**3,630**	**3,741**	**62,825**	**113,925**

* Non-cash benefits relates to Directors and Officers insurance paid by the Company on behalf of all Directors and Officers of the Company.

Notes to the financial statements continued

Note 22. Key management personnel disclosures (continued)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2010 $	2009 $
Transactions with related parties:		
The legal firm Meyer Vandenberg Lawyers, of which Jayson Hinder, Director, is a partner provided legal services to the Company during the financial year to the value of	3,978	6,187

Other than payments to Meyer Vandenberg Lawyers, there are no formal contracts with the Company to which a Director is a party or receives a benefit.

The employment conditions of the Business Development Manager, Raymond Haley, were formalised in a contract of employment. The Business Development Manager resigned from his position effective 18 September 2009.

The contract specified the notice period in accordance with the Workplace Relations Act 1996. Termination payments were also in terms of the same Act.

Remuneration practices

In setting the remuneration policy of Molonglo Financial Services Limited, the board recognises the company has been formed to govern the **Community Bank®** branch as it returns banking services to the community, provides contributions to community projects and the shareholders who contributed the capital.

The legal and moral obligations of the Board are onerous, as is the time contributed by the Board on the ongoing governance of the Company. In recognition of this, the Board may be remunerated for its efforts, at the Board's discretion. As the organisation matures and the demands on the time of the Directors increase, the prospect becomes more likely and appropriate.

The remuneration will be subject to the following:

- Consultation with shareholders prior to a recommendation being made by the Board.
- The amount payable to directors being ratified by shareholders at the Annual General meeting.
- Directors' remuneration is made in line with the philosophies of **Community Bank®** .

The remuneration for the Business Development Manager was arrived at after consultation with Bendigo and Adelaide Bank Limited and is set in line with the employee's peers in the bank network. Performance payments did not form a part of the remuneration package.

	2010 $	2009 $

Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	84,987	230,573

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,045,289	1,008,007

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in the Tuggeranong Valley district pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
Level 6/39 London Circuit
Canberra ACT 2601

Principal Place of Business
Unit 13 & 14 Waniassa Shopping Cantre
Sangster Place
Wanniassa ACT 2905

Shop 19 Calwell Shopping Centre
Weber Crescent
Calwell ACT 2905

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: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	67,974	206,626	515,288	335,045	-	-	-	-	395	399	4.01	4.42
Receivables	-	-	-	-	-	-	-	-	123,877	139,425	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	7,464	7,464	19,318	24,246	-	-	-	-	8.60	8.60
Payables	-	-	-	-	-	-	-	-	72,512	72,580	N/A	N/A

Directors’ declaration

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

In the opinion of the directors:

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

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

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

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

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

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

Jayson Richard Hinder,	**Lance Prior,**
Chairman	**Deputy Chairman**

Signed on the 20th of September 2010.

Independent audit report

partners in success
Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the members of Molonglo Financial Services Limited

We have audited the accompanying financial report of Molonglo 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 Molonglo 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 Molonglo 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 20th day of September 2010

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Shops 19-21 Calwell Shopping Centre,
Webber Crescent, Calwell ACT 2905
Phone: (02) 6291 3385

Wanniassa **Community Bank®** Branch
Units 13 & 14 Wanniassa Shopping Centre,
Sangster Place, Wanniassa ACT 2601
Phone: (02) 6231 9024

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Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10069) (09/10)

Bendigo Bank