

annual report 2010



Stonnington Community
Financial Services Limited
ABN 31 099 416 092

Windsor **Community Bank**[®] Branch
Prahran Market branch

Contents

Chairman's report	2
Manager's report	3
Bendigo and Adelaide Bank Ltd report	4-5
Treasurer's report	6-7
Secretary's report	8
Directors' report	9-13
Financial statements	14-17
Notes to the financial statements	18-33
Directors' declaration	34
Independent audit report	35-36

Chairman's report

For year ending 30 June 2010

The 2010 financial year has shown the real strength of our business. Emerging from the 2009 Global Financial Crisis was tough, and being challenged by the amount of after shocks from European markets has been testing.

These global challenges take a toll as business becomes scarce when opportunities are shelved for better times. By no means do I think we have seen the end of the challenges, but I am seeing business return our way as confidence increases.

In the midst of this economic climate, the opening of the Prahran Market **Community Bank**[®] Branch provided an additional challenge for the business. However, I am happy to report that the estimate loss for this year has been reduced from \$200,000 to \$25,000. Under the circumstances, this is a great result.

The signs moving forward are very positive; we have exceeded \$100 million in business and have already grown this year by \$10 million. This is a very positive sign for the future.

Having said this, our early budget for this year shows a conservative profit of about \$30,000. If Branch Manager Julian Kennedy and his team continue to develop business at the current pace, the actual profit will be far greater.

This year, shareholders once again received a fully franked dividend of five cents per share and this was made possible because of the reduced budget loss. All of this would not be possible without the dedication of Julian Kennedy and his team, and I would personally like to thank, Kate, Jarrod, Simon, Victoria, Haroula, Julie, Kellie, Stephanie and Renee for their great work.

As well as the team at the front line, I am supported by a great team of Directors who work very hard to make sure our goals are achieved.

It is with regret that we say goodbye to one of our original Directors this year, who retires after our Annual General Meeting.

Guy Vicars has been a great support to me as Secretary and provided great inspiration to the Board. He leaves us with our greatest thanks and best wishes for the future.

We now move forward to a brand new era in our business, which will provide many challenges and opportunities. With eight years in business and the 10th anniversary in our sights, I trust that you will continue to support and grow our business to provide the many opportunities it does to so many in our community.

I look forward to meeting many of you at this year's AGM where we will celebrate with the recipients of this year's Grants Program.



Jon Caneva
Chairman

Manager's report

For year ending 30 June 2010

As the end of the 2009/10 financial year, Windsor **Community Bank**[®] Branch had been trading for seven and a half years, while Prahran Market **Community Bank**[®] Branch had been trading for just over one year.

It has been a challenging year, with the effects of the Global Financial Crisis and strong competition on investment interest rates from other banks.

With total banking business of \$94.3 million current as at 30 June 2010, growth for the financial year for both branches totaled 5 per cent. The end of the financial year showed some excellent results in loans written and I am pleased to announce that our total balances for both branches is more than \$104 million.

Our **Community Bank**[®] branches continue to grow with the assistance of residents, local traders and shareholders. Our Prahran Market **Community Bank**[®] Branch continues to form a strong local presence, and the profile of our business continues to grow.

We have established strong relationships with several key groups in our local area such as Stonnington Primary School, South Yarra Cricket Club, Prahran Junior Football Club, Toorak Junior Cricket Club, Prahran Netball Association and many other not-for-profit organisations.

We now have ATMs in three locations, including Windsor **Community Bank**[®] Branch, Prahran Market **Community Bank**[®] Branch and inside the Prahran Market. We have also entered into an agreement to have two ATMs installed at The Alfred Hospital which will only enhances our brand and our reputation.

We have had some staff changes to the team at Prahran Market **Community Bank**[®] Branch and I would like to welcome Renee Leslie and Stephanie Noonan who have adapted very well to our **Community Bank**[®] concept. Together with Jarrod Pearce and Kellie Sherwood I would like to thank Renee and Stephanie for making Prahran Market **Community Bank**[®] Branch the warm, friendly and welcoming branch that it is today.

I would also like to thank Kate Maloney, Simon Mangan, Julie Galloway, Victoria Hooi and Haroula Vagenas whose significant contribution throughout the last 12 months has created a friendly and professional business environment.

I would also like to express my appreciation to our Board of Directors for their continued support and encouragement as well as the team at Bendigo Bank for their assistance throughout the year.

Continued economic instability will ensure challenging times ahead, and continued growth of our two branches is reliant upon the continued support of the local community.

As a shareholder of our business, please continue to give your support as an advocate for our branches.



Julian Kennedy
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank Ltd report continued

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

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



Russell Jenkins

Executive Customer and Community

Treasurer's report

For year ending 30 June 2010

The 2009/10 financial year was full of surprises and challenges. Governments responded to the failure of corporate debt management by implementing bail-out programs globally.

The ramifications of these actions have been apparent in the 2010 Financial Year. Rather than solving the problem, they have just shifted the problem from the corporate debt level to the sovereign debt level, most obvious in the much publicised Greek Debt Crisis.

As a result of these tremors and shocks, financial markets have remained largely unstable due to global economic uncertainty. While Australia's banking system is relatively quarantined from these European sovereign debt securities, the post GFC economy is very cautious, and this translates into reluctance of individuals and businesses to increase their borrowing activity.

It is important to note that Australia's sovereign debt does not jeopardise the financial footings of our economy. Account deficits have caused an increase in government debt, which is to be expected in an economic downturn, and our debt as a percentage of GDP is relatively small compared with the rest of the developed world.

One of the domestically controlled factors impacting on the banking system is the RBA's cash rate. The uncertainty in global markets, unemployment rates, asset prices, consumer confidence, and more, means that interest rates are less predictable than usual. Uncertainty in short term interest rates, with expectations of interest rate increases in the long term, add to further subdue borrowing activity.

Key results

- Cash flow positive in 9 out of 12 months
- End of year cash balance still very healthy
- Total income almost 14 per cent ahead of budget – approximately \$127,000
- Total expenses almost 8 per cent lower than budget – approximately \$94,000
- Operating profit is approximately \$221,500 ahead of budget.

The key results indicate exceptional performance, and where markets are still largely unstable, growth is hard to achieve and our new **Community Bank**[®] branch at Prahran Market requires continuing financial assistance as expected.

Treasurer's report continued

Our **Community Bank**[®] branches are well positioned to achieve excellent growth in a recovering market. Our financial strength remains a robust platform from which to facilitate this growth, which will support us through continued challenges.

I look forward to continued growth for our branches and our community, and eager to seek out opportunities to contribute to the prosperity of our community.



Anthony Caneva
Treasurer

Secretary's report

For year ending 30 June 2010

This will be my final report as Secretary of Stonnington Community Financial Services Pty. Ltd. as I have resigned from the Board effective from the 2010 AGM. So I write this report with a sense of looking back over not just this year but of nearly a decade.

Reflecting on 2009/2010 is really gratifying considering the financial difficulties that had to be surmounted and the highly volatile situation we were working in. At the best of times the banking environment is a difficult one for a smaller player as the competition and strength of the big banks leave the playing field somewhat uneven. However at Windsor and Prahran Market **Community Bank**[®] branches, we continue to be focussed on what we do best and that is keeping our community connected and growing in the face of these hurdles.

I congratulate Julian, Kate and all the team on their great efforts once again.

Since I have been involved we have grown from having a card table on the street trying to sell a great idea, to having two branches up and running with a refurbishment and upgrade of the Chapel Street branch in the pipeline. We also have a very stable, hardworking and committed team at both locations – people who we get to know and who make the difference.

We have distributed over \$400,000 to the local community during this time. It's important to remember this is from our **Community Bank**[®] branch alone. Other **Community Bank**[®] branches across the country are doing the same thing. If someone you know needs more proof of the benefits of banking with us, all they need to do is ask how much their bank has contributed to their local community.

Over the last several years we have returned dividends to our committed and supportive shareholders who were also in it for the vision, not just the financial return.

These things are no small achievements and it's through the hard work of the staff, the commitment of the Board and the support of customers and shareholders that have combined to create these excellent outcomes.

I feel pleased leaving the Board with what has been achieved thus far by the 'little bank that could'. I also know that there is a very capable and committed group of people who will look energetically and enthusiastically at what can be done in the years ahead.

Its been a great journey for me personally to be involved with the Board and the development of the two branches and I wish everyone all success as we continue to thrive in our local community.



Guy Vicars
Secretary

Directors' report

For the financial year ended 30 June 2010

Your Directors submit the financial report 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 are:

Giovanni Jon Caneva

Chairman

Occupation: Company Director

Brian Francis Hatswell

Director

Occupation: Retailer

Guy William Vicars

Director/Secretary

Occupation: Psychotherapist

John Keating

Director/Secretary

Occupation: Lawyer

Anthony Caneva

Director

Occupation: Financial Services

David Rosenberg

Director

Occupation: Retired Retailer

Melina Sehr

Director

Occupation: IT consultant

Cameron Morcher (resigned 30 September 2009)

Director

Occupation: Financial Services

Sarah Davies

Director

Occupation: Solicitor

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

No Directors have material interests in contracts or proposed contracts with the Company.

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

Operating results

Operations have continued to perform in line with expectations. The profit / (loss) of the Company for the financial year after provision for income tax was (\$25,363) (2009: \$45,946).

Dividends	Year ended 30 June 2010	
	Cents per share	\$'000
Dividends paid in the year:	5	32,500

Significant changes in the state of affairs

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

Significant events after the balance date

A franked dividend of 5 cents per share (\$32,500 in total) was paid on 9 July 2010.

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

Likely developments

The Company will continue its policy of providing banking services to the community.

Directors' benefits

Other than detailed below no Director or related entity has entered into a material contract with the Company. Bookkeeping & Marketing services were provided by Caneva Management Pty Ltd, a Company of which Gionvanni Jon Caneva is a Director. The fees paid during the year ended 30 June 2010 to Caneva Management Pty Ltd amounted to \$13,000 (2009: \$6,000).

Directors' fees as ratified by the Company's Annual General Meeting were approved and paid to the following Directors or related entity as directed by them. Prior to 30 June 2008 Directors held their positions entirely on a voluntary basis.

Directors' report continued

Directors' fees

	2010	2009
Giovanni Jon Caneva	\$2,000	\$2,000
Brian Francis Hatswell	\$1,000	\$1,000
Guy William Vicars	\$1,500	\$1,500
Cameron Morcher (resigned 30 September 2009)	\$250	\$500
Melina Sehr	\$1,000	\$750
David Rosenberg	\$1,000	\$750
Anthony Caneva	\$1,500	\$500
John Keating	\$1,000	\$277
Sarah Davies	\$1,000	\$208

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability incurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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.

Company Secretary

Guy William Vicars was appointed Company Secretary on 30 April 2008. Guy Vicars has a Master's degree, Bachelor of Business degree and has worked in financial institutions and owned small businesses for the last 22 years.

Directors' report continued

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #	Audit committee meetings #
Giovanni Jon Caneva	10 (10)	1 (1)
Brian Francis Hatswell	7 (10)	N/A
Guy William Vicars	8 (10)	1 (1)
John Keating	8 (10)	N/A
Anthony Caneva	8 (10)	1 (1)
David Rosenberg	10 (10)	N/A
Melina Sehr	8 (10)	N/A
Cameron Morcher (resigned 30 September 2009)	2 (3)	N/A
Sarah Davies	8 (10)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

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.

Directors' report continued

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

12 August 2010

The Directors
Stonnington Community Financial Services Ltd
111 Chapel Street
WINDSOR VIC 3181

Dear Sirs

Auditor's Independence Declaration

In relation to our audit of the financial report of Stonnington Community Financial Services Ltd for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Prahran, Victoria on 12 August 2010.

Giovanni Jon Caneva
Chairman

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	1,045,359	875,423
Employee benefits expense	3	(520,869)	(369,593)
Charitable donations and sponsorship		(39,837)	(35,932)
Depreciation and amortisation expense	3	(66,370)	(46,653)
Finance costs	3	(8,543)	(2,919)
Administration & other expenses from ordinary activities		(430,531)	(362,655)
Profit / (loss) before income tax expense		(20,791)	57,671
Income tax expense	4	(4,572)	(11,725)
Profit / (loss) after income tax expense		(25,363)	45,946
Other comprehensive income		-	-
Total comprehensive income		(25,363)	45,946
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	23	(3.90)	7.07
- diluted for profit / (loss) for the year	23	(3.90)	7.07

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	193,616	167,854
Receivables	7	78,190	68,906
Current tax refundable	4	23,470	40,704
Other assets	8	-	935
Total current assets		295,276	278,399
Non-current assets			
Property, plant and equipment	9	243,966	297,791
Intangible assets	10	48,845	58,845
Total non-current assets		292,811	356,636
Total assets		588,087	635,035
Current liabilities			
Payables	11	31,873	40,654
Provisions	13	40,010	20,314
Total current liabilities		71,883	60,968
Non current liabilities			
Loans and borrowings	12	100,000	100,000
Total non current liabilities		100,000	100,000
Total liabilities		171,883	160,968
Net assets		416,204	474,067
Equity			
Share capital	14	647,010	647,010
Accumulated losses	15	(230,806)	(172,943)
Total equity		416,204	474,067

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			
Cash receipts in the course of operations		1,140,611	941,627
Cash payments in the course of operations		(1,088,232)	(827,446)
Interest paid		(8,543)	(2,919)
Interest received		4,309	10,341
Income tax refunded / (paid)		12,662	(78,574)
Net cash flows from / (used in) operating activities	16b	60,807	43,029
Cash flows from investing activities			
Payments for intangible assets		-	(25,000)
Payments for property, plant and equipment		(2,545)	(196,466)
Net cash flows used in investing activities		(2,545)	(221,466)
Cash flows from financing activities			
Proceeds from borrowings		-	100,000
Repayment of borrowings		-	(4,033)
Dividends paid		(32,500)	(45,500)
Net cash flows from / (used in) financing activities		(32,500)	50,467
Net increase in cash held		25,762	(127,970)
Cash and cash equivalents at start of year		167,854	295,824
Cash and cash equivalents at end of year	16a	193,616	167,854

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
Share capital			
Balance at start of year		647,010	647,010
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		647,010	647,010
Retained earnings / (accumulated losses)			
Balance at start of year		(172,943)	(173,389)
Profit / (loss) after income tax expense		(25,363)	45,946
Dividends paid	22	(32,500)	(45,500)
Balance at end of year		(230,806)	(172,943)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Stonnington Community Financial Services Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 12 August 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold Improvements	10% to 20%
Computers	25%
Computer Software	40%
Plant & Equipment	7.5% to 33.3%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 Statement of Financial Position. 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 ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

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.

Comparative figures

Where required by 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. Basis of preparation of the financial report (continued)

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Loans and borrowings

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

Provisions

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

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

Share capital

Issued and paid up capital is 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.

2010
\$

2009
\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	1,041,050	865,082
- other revenue	-	-
Total revenue from operating activities	1,041,050	865,082

Notes to the financial statements continued

	2010 \$	2009 \$
Note 2. Revenue from ordinary activities (continued)		
Non-operating activities:		
- interest received	4,309	10,341
- other revenue	-	-
Total revenue from non-operating activities	4,309	10,341
Total revenue from ordinary activities	1,045,359	875,423

Note 3. Expenses

Employee benefits expense

- wages and salaries	429,047	301,414
- superannuation costs	35,549	31,620
- workers' compensation costs	1,611	1,004
- other costs	54,662	35,555
	520,869	369,593

Depreciation of non-current assets:

- computer software	4,303	2,041
- plant and equipment	15,497	5,295
- leasehold improvements	36,570	29,317

Amortisation of non-current assets:

- intangibles	10,000	10,000
	66,370	46,653

Finance costs:

- Interest paid	8,543	2,919
Bad debts	718	1,709

Notes to the financial statements continued

	2010 \$	2009 \$
Note 4. Income tax expense		
The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 30%	(6,237)	17,301
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	10,809	(5,576)
Current income tax expense	4,572	11,725
Income tax expense	4,572	11,725
Tax liabilities		
Current tax payable/(refundable)	(23,470)	(40,704)

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,650
- Share registry services	1,559	1,800
	5,459	5,450

Note 6. Cash and cash equivalents

Cash at bank and on hand	193,616	167,854
---------------------------------	----------------	----------------

Note 7. Receivables

Trade debtors	78,190	68,906
----------------------	---------------	---------------

Note 8. Other assets

Prepayments	-	935
--------------------	---	------------

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	368,581	368,581
Less accumulated depreciation	(229,407)	(192,837)
	139,174	175,744
Plant and equipment		
At cost	131,771	129,226
Less accumulated depreciation	(31,465)	(15,968)
	100,306	113,258
Computer software		
At cost	12,145	12,145
Less accumulated depreciation	(7,659)	(3,356)
	4,486	8,789
Total written down amount	243,966	297,791
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	175,744	122,059
Additions	-	83,002
Disposals	-	-
Depreciation expense	(36,570)	(29,317)
Carrying amount at end of year	139,174	175,744
Plant and equipment		
Carrying amount at beginning of year	113,258	13,434
Additions	2,545	105,119
Disposals	-	-
Depreciation expense	(15,497)	(5,295)
Carrying amount at end of year	100,306	113,258

Notes to the financial statements continued

	2010 \$	2009 \$
--	------------	------------

Note 9. Property, plant and equipment (continued)

Computer software

Carrying amount at beginning of year	8,789	2,485
Additions	-	8,345
Disposals	-	-
Depreciation expense	(4,303)	(2,041)
Carrying amount at end of year	4,486	8,789

Note 10. Intangible assets

Leasehold establishment fee

At cost	25,000	25,000
---------	--------	--------

Franchise fee

At cost	100,000	100,000
Less accumulated amortisation	(76,155)	(66,155)
	48,845	58,845

Note 11. Payables

Trade creditors	10,401	20,842
Other creditors and accruals	21,472	19,812
	31,873	40,654

Note 12. Loans and borrowings

Non current

Bank loan	100,000	100,000
------------------	----------------	----------------

Notes to the financial statements continued

	2010 \$	2009 \$
Note 13. Provisions		
Employee benefits	40,010	20,314

Note 14. Share capital

650,000 Ordinary shares *	647,010	647,010
----------------------------------	----------------	----------------

* Comprises 620,100 ordinary shares fully paid to \$1 and 29,900 shares, issued at a discount price of \$0.90, fully paid to \$1.

Note 15. Retained earnings/(accumulated losses)

Balance at the beginning of the financial year	(172,943)	(173,389)
Profit / (loss) after income tax	(25,363)	45,946
Dividends paid	(32,500)	(45,500)
Balance at the end of the financial year	(230,806)	(172,943)

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	193,616	167,854
--------------------	----------------	----------------

(b) Reconciliation of profit / (loss) after tax to net cash from / (used in) operating activities

Profit / (loss) after income tax	(25,363)	45,946
Non cash items		
- Depreciation	56,370	36,653
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables / other assets	(8,349)	4,817
- Increase (decrease) in payables	(8,781)	8,375
- Increase (decrease) in provisions	19,696	4,087
- (Increase) decrease in current tax refundable	17,234	(66,849)
Net cash flows from / (used in) operating activities	60,807	43,029

Notes to the financial statements continued

Note 17. Director and related party disclosures

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

Giovanni Jon Caneva
Brian Francis Hatswell
Guy William Vicars
John Keating
Anthony Caneva
David Rosenberg
Melina Sehr
Cameron Morcher (resigned 30 September 2009)
Sarah Davies

Other than detailed below no Director or related entity has entered into a material contract with the Company. Bookkeeping & Marketing services were provided by Caneva Management Pty Ltd, a Company of which Giovanni Jon Caneva is a Director. The fees paid during the year ended 30 June 2010 to Caneva Management Pty Ltd amounted to \$13,000 (2009: \$6,000).

Directors' fees as ratified by the Company's Annual General Meeting were approved and paid to the following Directors or related entity as directed by them. Prior to 30 June 2008 Directors held their positions entirely on a voluntary basis.

Directors' fees	2010	2009
Giovanni Jon Caneva	\$2,000	\$2,000
Brian Francis Hatswell	\$1,000	\$1,000
Guy William Vicars	\$1,500	\$1,500
Cameron Morcher (resigned 30 September 2009)	\$250	\$500
Melina Sehr	\$1,000	\$750
David Rosenberg	\$1,000	\$750
Anthony Caneva	\$1,500	\$500
John Keating	\$1,000	\$277
Sarah Davies	\$1,000	\$208

Notes to the financial statements continued

Note 17. Director and related party disclosures (continued)

Directors' shareholdings	2010	2009
Giovanni Jon Caneva	40,000	40,000
Brian Francis Hatswell	15,000	15,000
Guy William Vicars	2,750	2,750
John Keating	500	500
Anthony Caneva	500	500
David Rosenberg	10,000	10,000
Melina Sehr	500	500
Cameron Morcher (resigned 30 September 2009)	500	500
Sarah Davies	-	-

There was no movement in Directors' shareholdings during the period. Each share held has a paid up value of \$1 and is fully paid. The above holdings are held personally or in associated entities.

18. Subsequent events

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

19. Contingent liabilities

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

20. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Stonnington, Victoria.

21. Corporate information

Stonnington Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

111 Chapel Street, Windsor VIC 3181.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 22. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Franked dividends - 5 cents per share (2009: 0 cents per share)	32,500	-
Unfranked dividends - 0 cents per share (2009: 7 cents per share)	-	45,500
(b) Dividends proposed and not recognised as a liability		
Franked dividends - 5 cents per share (2009: 5 cents per share)	32,500	32,500
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year.	51,983	78,574
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	(23,470)	(40,704)
	28,513	37,870

The tax rate at which dividends have been franked is 30% (2009: 0%).

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit / (loss) after income tax expense	(25,363)	45,946
Weighted average number of ordinary shares for basic and diluted earnings per share	650,000	650,000

Notes to the financial statements continued

Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	193,616	167,854
Receivables	78,190	68,906
	271,806	236,760

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2010					
Payables	31,873	(31,873)	(31,873)	-	-
Loans and borrowings	100,000	(135,479)	(10,140)	(127,309)	-
	131,873	(167,352)	(42,013)	(127,309)	-
30 June 2009					
Payables	40,654	(40,654)	(40,654)	-	-
Loans and borrowings	100,000	(144,022)	(9,240)	(134,782)	-
	140,654	(184,676)	(49,894)	(134,782)	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	66,183	126,913
Financial liabilities	-	-
	66,183	126,913
Variable rate instruments		
Financial assets	127,433	40,941
Financial liabilities	(100,000)	(100,000)
	27,433	(59,059)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(e) 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 Statement of Financial Position.

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.

Directors' declaration

In accordance with a resolution of the Directors of Stonnington Community Financial Services Ltd, I 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 their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.



Giovanni Jon Caneva
Chairman

Signed at Prahran, Victoria on 12 August 2010.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF STONNINGTON COMMUNITY FINANCIAL SERVICES LTD

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Stonnington Community Financial Services Ltd, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Stonnington Community Financial Services Ltd is in accordance with:

- (a) 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
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 12 August 2010



Windsor **Community Bank**[®] Branch
111 Chapel Street, Windsor VIC 3181
Phone: (03) 9510 9311

Prahran Market **Community Bank**[®] Branch
Shop 812, Prahran Market,
163 Commercial Road, Prahran VIC 3181
Phone: (03) 9827 6545

Franchisee: Stonnington Community Financial Services Limited
111 Chapel Street, Windsor VIC 3181
Phone: (03) 9533 8492
ABN: 31 099 416 092

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10052) (09/10)