annual report 2010

Warrandyte Community
Financial Services Limited
ABN 70 102 635 147

Warrandyte **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

Our profits for the financial year 2009/2010 increased to almost $290,000 before tax, thanks to increased margins in the banking sector. Our operating profit was actually close to $480,000 from which we paid over $189,000 to community groups and organisations in the form of grants and sponsorships.

With the healthy increase in profit, the Directors decided to increase the dividend this year to a ten cent fully franked dividend to shareholders. This brings our dividend return to shareholders to 37 cents per share (see table below).

Financial year	Cents per share	Total distribution
2005/06	5 cents	$33,973
2006/07	6 cents	$40,917
2007/08	8 cents	$54,357
2008/09	8 cents	$54,357
2009/10	10 cents	$67,946

Our community grants and sponsorship program this year has been a huge success with almost 50 organisations receiving funding. Warrandyte **Community Bank®** Branch has now granted almost $350,000 to clubs and other not-for-profit organisations since its inception in 2003 (see table below).

Financial year	Community contributions
2004/05	$7,455
2005/06	$10,360
2006/07	$25,326
2007/08	$50,400
2008/09	$60,904
2009/10	$193,469

This is the true benefit of having a **Community Bank®** branch. The people in our community directly benefit from banking with Warrandyte **Community Bank®** Branch. Not only that, the money that we grant to organisations and not-for-profits is also leveraged against money from all levels of Government – monies that would probably not have been invested in this community in the same timeframe. We have always been a strong community, but the ongoing legacy of **Community Bank®** branch is that the community will continue to get stronger and stronger.

We have had a number of new Directors come onto the Board this year, partly due to the departure of some for health and business reasons and partly due to other time commitments from existing Board members. While there has been quite a turnover in recent years, there are perceived to be many benefits in terms of renewal and enthusiasm which will assist in the future growth of the bank.

Chairman's report continued

As such, I would like to thank Peri Hunter, David Kerr and Paul Lynch who stepped down this year for their involvement and wish them all well in their future endeavours. I would also like to thank Chris Hyde, Dawn Inman-Wyness, John Shaw, Robyn Duff and Matthew Wilson for their agreement to join the Board. The range of skills and level of professionalism they bring to the Board will enhance the future success of the bank. I must also thank the Board members who have continued in their role for their support and hard work over the year – Jen Johanson, John Provan, Darren Ryding, David Wood and David White.

I also wish to thank Mark and his team for a great effort this year. We continue to grow the business in what is a very small and close community. Without the excellent service they provide, this growth would not be possible.

Finally, I would like to thank the shareholders and the community as a whole for their support of the bank, but I am sure there is more that you can do! It's not an easy task to change banks, but even opening one account, a term deposit, taking out some insurance or meeting with our financial planner helps our business grow and ultimately helps our community grow.

Sarah Wrigley
Chairman

Manager's report

For year ending 30 June 2010

The previous year has seen the branch continue to grow not only in volumes and profitability, but contributions back into the community.

Warrandyte **Community Bank®** Branch continued to gain new business over 2009/2010 and has now achieved total banking business close to $120 million and more than 4,800 accounts. This growth has been achieved across business and personal accounts, not only because Bendigo Bank can provide all banking products and services to suit their needs, but the customers can see that their business helps the bank to support our local community.

In addition, my fellow staff members – Gavan, Danny, Linda, Joan, Nikie and Diane – are to be congratulated for their continued professionalism and quality service. This resulted in the branch topping the state in a recent customer survey result – a truly magnificent effort! The fact that our staff are actively part of our local community through their involvement with local organisations is also something that we are proud of and actively support.

I would also like to thank the Board of Directors led by Sarah Wrigley (Chairman) for their support and encouragement during the year and congratulate them for their nomination as a finalist of the State **Community Bank®** Branch of the year award.

Warrandyte Community Financial Services Board is now well known throughout the **Community Bank®** network as a leading and progressive Board and has an excellent rapport with partners within the Bendigo Bank network as well as throughout the community.

This was highlighted by the contribution during the past year of $189,000 of grants and sponsorships to local organisations.

Obviously, we would like to increase this amount and the way to do this is to increase our business size.

A key initiative implemented during the year was the installation of a Bendigo Bank ATM at a Victory IGA at Goldfields Shopping Centre in Warrandyte. This will increase the convenience for our existing customers and provide another reason for prospective customers to transfer their banking to Warrandyte **Community Bank®** Branch.

To all stakeholders, I thank you for your continued support of Warrandyte **Community Bank®** Branch and ask you to become an advocate to support your local bank so 'U' can make a difference and build a stronger community.

Mark Challen
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:

Sarah Wrigley
Director and Chairman
Age: 46
Occupation: Consultant

Darren Maurice Ryding
Director and Treasurer
Age: 45
Occupation: Financial Controller

Jennifer Johanson
Director and Company Secretary
Age: 42
Occupation: Chartered Accountant

John Gary Provan
Director
Age: 58
Occupation: Registered Building Practitioner

David Henry Wood
Director
Age: 52
Occupation: Builder

Peri Hunter
Director (Resigned 24 March 2010)
Age 43
Occupation: Marketing Director

David Leonard White
Director
Age: 45
Occupation: Electrician

John Shaw
Director (Appointed 15 April 2010)
Age: 66
Occupation: Company Director

Robyn Duff
Director (Appointed 29 April 2010)
Age: 56
Occupation: Retired

Dawn Inman-Wyness
Director (Appointed 2 June 2010)
Occupation: CEO/DON and Aged Care Consultant

Paul Nicholas Lynch
Director (Resigned 5 February 2010)
Age: 36
Occupation: Student

David Kerr
Director (Resigned 19 April 2010)
Age 60
Occupation: Retired Banker

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 Jennifer Johanson. Jennifer was appointed to the position of Secretary in April 2007.

She is a Chartered Accountant whom has worked for various firms since 1989.

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 Ltd.

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/(loss) of the Company for the financial year after provision for income tax was:

	Year ended 30 June 2010 $	Year ended 30 June 2009 $
	202,386	137,578

Remuneration report

The following criteria is applied to determine the remuneration of Directors, Office Bearers and Senior Management:

a) the Board policy for determining the nature and amount of remuneration of Directors, secretaries and senior managers of the Company is as follows:

   i. Attends a minimum of six face-to-face Board meetings; and

   ii. Attends the Annual General Meeting and one other **Community Bank®** branch forum; and

   iii. Attends the Board retreat / planning day

b) the prescribed details in relation to the remuneration of:

   i. each Director of the Company to receive $1,000, and

   ii. each office bearer of the Company receive an additional $1,000

   iii. the five named Company executives who received the highest remuneration for that year were:

Name	Position	$
Mark Challen	Bank Manager	105,458
Jennifer Johanson	Director and Company Secretary	2,000

Dividends	Year ended 30 June 2010 Cents per share	Year ended 30 June 2010 $'000
Dividends paid in the year:		
- final for the year ended 30 June 2009	8.00	54,356

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

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 21 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' report continued

Directors' meetings

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

	Board meetings attended		Committee meetings attended					
			Audit		Marketing		Human resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Sarah Wrigley	11	11	3	3	11	8	3	3
John Provan	11	8						
David Wood	11	8			11	7		
Jennifer Johanson	11	11	3	3			3	3
Darren Ryding	11	10	3	3				
David White	11	6			11	9		
Robyn Duff (Appointed: 29/04/10)	2	2	1	1				
Dawn Inman-Wyness (Appointed: 02/06/10)	1	1			1	0		
John Shaw (Appointed: 15/04/10)	3	3			2	2		
Peri Hunter (Resigned: 24/03/2010)	8	4			8	8		
David Kerr (Resigned: 19/04/10)	2	1						
Paul Lynch (Resigned: 05/02/2010)	6	1						

The Company did not employ the Auditor (ABL Accounting Services Pty Ltd) for non audit work during the year.

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 9.

Signed in accordance with a resolution of the Board of Directors at Warrandyte on 30 August 2010.

Sarah Wrigley
Chairman

Jennifer Johanson
Secretary

Auditor's independence declaration

WARRANDYTE COMMUNITY FINANCIAL SERVICES ~~PTY~~ LTD ABN 70 102 635 147
AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, during the year ended 30th June 2010 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit: and

(ii) No contravention of any applicable code of professional conduct in relation to the audit.

Name of Firm	ABL Accounting Services
Name of Principal	....
	Alan lane
Date	30/08/2010
Address	Suite 405/530 Little Collins Street, Melbourne VIC 3000

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	4	1,078,919	961,974
Employee benefits expense		(415,081)	(368,714)
Charitable donations, sponsorship, advertising and promotion		(171,908)	(178,956)
Occupancy and associated costs		(74,102)	(72,305)
Systems costs		(19,373)	(20,845)
Depreciation and amortisation expense	5	(9,656)	(9,622)
Finance costs	5	(71)	(3)
General administration expenses		(98,761)	(115,294)
Profit/(loss) before income tax (expense)/credit		**289,967**	**196,235**
Income tax (expense)/credit	6	(87,581)	(58,657)
Profit/(loss) after income tax (expense)/credit		**202,386**	**137,578**
Total comprehensive income for the year		**202,386**	**137,578**

Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	22	30	20
- dividends paid per share	20	8	8

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Assets			
Current assets			
Cash and cash equivalents	7	693,472	524,783
Trade and other receivables	8	90,741	81,091
Accrued interest	8	8,921	2,167
Prepayment	8	17,904	11,485
Total current assets		**811,038**	**619,526**
Non-current assets			
Property, plant and equipment	9	123,500	130,860
Intangible assets	10	6,708	9,005
Deferred tax assets	11	11,139	4,515
Prepayment	8	22,058	33,542
Total non-current assets		**163,405**	**177,922**
Total assets		**974,443**	**797,448**
Liabilities			
Current liabilities			
Trade and other payables	12	37,577	21,938
Current tax liabilities	11	36,686	52,193
Borrowings	13	6	5
Provisions	14	24,451	17,218
Total current liabilities		**98,720**	**91,354**
Non-current liabilities			
Provisions	14	21,599	
Total non-current liabilities		**21,599**	**-**
Total liabilities		**120,319**	**91,354**
Net assets		**854,124**	**706,094**
Equity			
Issued capital	15	657,286	657,286
Retained earnings/(accumulated losses)	16	196,838	48,808
Total equity		**854,124**	**706,094**

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	**679,460**	**(56,588)**	**622,872**
Total comprehensive income for the year	**-**	**137,578**	**137,578**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(54,356)	(54,356)
Balance at 30 June 2009	**679,460**	**26,634**	**706,094**
Balance at 1 July 2009	**679,460**	**26,634**	**706,094**
Total comprehensive income for the year	**-**	**202,386**	**202,386**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(54,356)	(54,356)
Balance at 30 June 2010	**679,460**	**174,664**	**854,124**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		1,133,457	990,975
Payments to suppliers and employees		(831,235)	(838,714)
Interest received		13,177	32,794
Rent received		15,120	15,600
Income taxes paid		(109,712)	(36,546)
Net cash provided by/(used in) operating activities	**17**	**220,807**	**164,109**
Cash flows from investing activities			
Payments for property, plant and equipment			(10,189)
Payments for intangible assets			
Net cash provided by/(used in) investing activities		**-**	**(10,189)**
Cash flows from financing activities			
Proceeds from issues of shares			-
Payment for share issue costs			-
Proceeds from borrowings			-
Repayment of borrowings			(1,500)
Dividends paid		(54,356)	(54,356)
Net cash provided by/(used in) financing activities		**(54,356)**	**(55,856)**
Net increase/(decrease) in cash held		**166,451**	**98,064**
Cash and cash equivalents at the beginning of the financial year		524,783	426,719
Cash and cash equivalents at the end of the financial year	**7**	**693,472**	**524,783**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards, 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 Ltd

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Ltd that governs the management of the **Community Bank®** branch at Warrandyte.

The branch operates as a franchise of Bendigo and Adelaide Bank Ltd, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Ltd. The Company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Ltd, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Ltd.

All deposits are made with Bendigo and Adelaide Bank Ltd, and all personal and investment products are products of Bendigo and Adelaide Bank Ltd, 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 and Adelaide Bank Ltd, must be approved by Bendigo and Adelaide Bank Ltd. All credit transactions are made with Bendigo and Adelaide Bank Ltd, and all credit products are products of Bendigo and Adelaide Bank Ltd.

Bendigo and Adelaide Bank Ltd 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

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Ltd has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

i) payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

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

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.

Note 1. Summary of significant accounting policies (continued)

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.

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 Ltd.

(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 Ltd mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd 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 Ltd 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.

Note 2. Financial risk management (continued)

(vi) Capital management (continued)

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.

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.

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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.

	2010 $	2009 $
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	1,041,701	911,413
Total revenue from operating activities	**1,041,701**	**911,413**
Non-operating activities:		
- interest received	22,098	34,961
- rental revenue	15,120	15,600
Total revenue from non-operating activities	**37,218**	**50,561**
Total revenues from ordinary activities	**1,078,919**	**961,974**

		2010 $	2009 $

Note 5. Expenses

		2010 $	2009 $
Depreciation of non-current assets:			
- plant and equipment		1,745	1,974
- leasehold improvements		5,614	5,351
Amortisation of non-current assets:			
- franchise agreement		2,297	2,297
		9,656	**9,622**
Finance costs:			
- interest paid		**71**	**3**

Note 6. Income tax expense/credit

		2010 $	2009 $
The components of tax expense comprise:			
- Current tax		94,205	58,235
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit/(loss)		289,967	196,235
Prima facie tax on profit from ordinary activities at 30%		86,990	58,870
Add tax effect of:			
- non-deductible expenses		1,889	1,493
- timing difference expenses		6,656	(798)
- other deductible expenses		(1,330)	(1,330)
		94,205	**58,235**
Movement in deferred tax	11	6,624	(422)
Income tax (expense)/credit		**87,581**	**58,657**

Notes to the financial statements continued

	2010 $	2009 $
Note 7. Cash and cash equivalents		
Cash at bank and on hand	201,631	246,220
Term deposits	491,841	278,563
	693,472	**524,783**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
Note 7a. Reconciliation of cash		
Cash at bank and on hand	201,631	246,220
Term deposits	491,841	278,563
	693,472	**524,783**
Note 8. Trade and other receivables		
(a) Current		
Trade receivables	90,741	81,091
Other receivables & accruals	8,921	2,167
Prepayment	17,904	11,485
	117,566	**94,743**
(b) Non current		
Prepayment	**22,058**	**33,542**
Note 9. Property, plant and equipment		
Plant and equipment		
At cost	34,423	36,644
Less accumulated depreciation	(22,377)	(22,852)
	12,046	**13,792**
Leasehold improvements		
At cost	157,948	157,948
Less accumulated depreciation	(46,494)	(40,880)
	111,454	**117,068**
Total written down amount	**123,500**	**130,860**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

	2010 $	2009 $
Plant and equipment		
Carrying amount at beginning	13,792	13,583
Additions		2,226
Disposals		(45)
Less: depreciation expense	(1,746)	(1,972)
Carrying amount at end	**12,046**	**13,792**
Leasehold improvements		
Carrying amount at beginning	117,068	114,412
Additions		8,007
Disposals		-
Less: depreciation expense	(5,614)	(5,351)
Carrying amount at end	**111,454**	**117,068**
Total written down amount	**123,500**	**130,860**

Note 10. Intangible assets

Franchise fee

	2010 $	2009 $
At cost	71,484	71,484
Less: accumulated amortisation	(64,776)	(62,479)
	6,708	**9,005**

	2010 $	2009 $

Note 11. Tax

Current:		
Income tax payable/(Refundable)	**36,686**	**52,193**
Non-current:		
Deferred tax assets		
- employee provisions	13,815	5,165
Deferred tax liability		
- accruals	(2,676)	(650)
Net deferred tax asset/(liability)	**11,139**	**4,515**
Movement in deferred tax charged to statement of comprehensive income	**6,624**	**(422)**

Note 12. Trade and other payables

Trade creditors	4,130	8,481
Other creditors & accruals	33,447	13,457
	37,577	**21,938**

Note 13. Borrowings

Credit card	6	5

Note 14. Provisions

Current:		
Provision for annual leave	**24,451**	**17,218**
Non-current:		
Provision for long service leave	**21,599**	**16,614** *
Number of employees at year end	7	7

* Please note that this figure has been included in the notes to illustrate the prior year liability however this was not reported in the 2009 Financial Accounts.

	2010 $	2009 $

Note 15. Contributed equity

	2010 $	2009 $
679,460 Ordinary shares fully paid of $1	679,460	679,460
Less: equity raising expenses	(22,174)	(22,174)
	657,286	**657,286**

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®** branch 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 Ltd contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the Company.

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

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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. Retained earnings/accumulated losses

	2010 $	2009 $
Balance at the beginning of the financial year	48,808	(34,414)
Net profit/(loss) from ordinary activities after income tax	202,386	137,578
Dividends paid or provided for	(54,356)	(54,356)
Balance at the end of the financial year	**196,838**	**48,808**

Note 17. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities

	2010 $	2009 $
Profit/(loss) from ordinary activities after income tax	202,386	137,578
Non cash items:		
- depreciation	7,359	7,325
- amortisation	2,297	2,297
- interest reversed	(613)	
- accrued income	(8,920)	(2,168)

Notes to the financial statements continued

	2010 $	2009 $

Note 17. Statement of cash flows

Changes in assets and liabilities:

	2010 $	2009 $
- (increase)/decrease in receivables	(9,108)	(12,291)
- (increase)/decrease in prepayments	5,066	11,485
- increase/(decrease) in trade creditors	(4,351)	(1,733)
- increase/(decrease) in tax payables	(15,507)	21,689
- (increase)/decrease in future income tax benefit	(6,624)	422
- increase/(decrease) in other payables	19,989	(1,247)
- increase/(decrease) in provisions	28,832	762
-increase/(decrease) in borrowings	1	(10)
Net cash flows provided by/(used in) operating activities	**220,807**	**164,109**

Note 18. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

	2010 $	2009 $
- audit & review services	2,165	2,161

Note 19. Director and related party disclosures

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

Sarah Wrigley	
John Provan	
David Wood	
Jennifer Johanson	
Darren Ryding	
David White	
Robyn Duff	Appointed 29 April 2010
Dawn Inman-Wyness	Appointed 2 June 2010
John Shaw	Appointed 15 April 2010
Peri Hunter	Resigned 24 March 2010
David Kerr	Resigned 19 April 2010
Paul Lynch	Resigned 5 February 2010

Note 19. Director and related party disclosures (continued)

No Director or related entity has entered into a material contract with the Company. Directors' fees have been paid to Jennifer Johanson during the year as renumeration for her role as Director and Company Secretary.

Directors' shareholdings	2010	2009
Sarah Wrigley	5,000	3,000
John Provan	10,000	10,000
Peri Hunter	500	500
Dawn Inman-Wyness	1,000	

	2010 $	2009 $

Note 20. Dividends paid or provided

	2010 $	2009 $
a. Dividends paid during the year		
Final dividend for the year ended 30 June 2009 of 8 cents per fully paid share fully franked was paid on the 31 October 2009.	**54,356**	**54,356**
b. Dividends proposed and recognised as a liability		
In addition to the above dividends, since year end Directors have recommended the payment of a final dividend of 10 cents per fully paid ordinary share, (2009 - 8 cents) fully franked. The proposed dividend expected to be paid on 30 September, 2010 out of profits at 30 June 2010, but not recognised as a liability at year end, is $67,946.		
The tax rate at which dividends have been franked is 30% (2009: 30%).		
Dividends proposed will be franked at a rate of 100% (2009: 100%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	129,810	43,393
- franking credits that will arise from payment of income tax payable as at the end of the financial year	36,686	53,807
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-

	2010 $	2009 $
Note 20. Dividends paid or provided (continued)		
Franking credits available for future financial reporting periods:	166,496	97,200
- 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	29,120	23,295
Net franking credits available	137,376	73,905

Note 21. Key management personnel disclosures

The following Directors have received a Directors Fee during the year in accordance with the Board's policy on Renumeration of Directors:

Name	Position	$
Jennifer Johanson	Director and Company Secretary	2,000

	2010 $	2009 $
Note 22. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	30	20
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	679,460	679,460

Note 23. Events occurring after the balance sheet date

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

Note 24. Contingent liabilities

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

Note 25. Segment reporting

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

Notes to the financial statements continued

Note 26. Registered office/principal place of business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
168 Yarra Street,	144 Yarra Street,
Warrandyte VIC 3113	Warrandyte VIC 3113.

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	693,472	524,783	-	-	-	-	-	-	-	-	0.00	0.07
Receivables	-	-	-	-	-	-	-	-	90,741	81,091	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	0	0.00	0.00
Payables	-	-	-	-	-	-	-	-	4,130	8,482	N/A	N/A

Directors' declaration

The Directors of Warrandyte Community Financial Services Limited, declare 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.

Sarah Wrigley
Chairman

Jennifer Johanson
Secretary

Signed 30 August 2010.

Independent audit report

ABL ACCOUNTING SERVICES

Independent Audit Report

Independent Audit Report to the Members of
Warrandyte Community Financial Services Limited

Scope

I have audited the financial report of Warrandyte Community Financial Services Limited for the year ended 30th June 2010, including the Directors' Declaration. The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. My procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view, which is consistent with my understanding of the company's financial position, the results of its operations and its cash flows.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical announcements.

The audit opinion expressed in this report has been formed on the above basis

Audit Opinion

In my opinion, the financial report of Warrandyte Community Financial Services Limited 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 30th June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

ALane

Alan Lane
ABL Accounting Services
Melbourne

Date the 30th August 2010.

Warrandyte **Community Bank**® Branch
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