

Canterbury Surrey Hills Community Finance Limited

Financial Statements

For the Year Ended 30 June 2010

Canterbury Surrey Hills Community Finance Limited
ABN 96 099 590 593
Directors' Report

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:

<u>Director</u>	<u>Experience</u>	<u>Committee Memberships</u>
Hans Diederick Menting Chairman - non-executive Bcom, MBA(Melb), AICD	Banking, finance & administration for 35 years. Small business owner/operator & Councillor.	Member - Staff Committee Member - Sponsorship Committee Member - Finance Committee
Robert Einar Stensholt Deputy Chairman - non-executive BA, BD(Hons), M Int. Law Dip. Phil	State MP, Former Director of a consulting company, senior research fellow, Ass. Dir. Gen. AusAID, Diplomat, teacher.	Chairman - Staff Committee Chairman - Marketing Committee Member - Finance Committee
Damien Leo Hudson <i>Director – non-executive</i>	10 years experience in real estate & management.	Chair - Asset Management Member - Sponsorship Committee
Juliann Ruth Byron <i>Director- non-executive</i> <i>Treasurer</i> BCom, Grad Dip CM, FCPA, FIDC, ACIS, FTIA	Finance, company secretary, management & governance. Director of Western Health & Victorian Cytology Service. Company Secretary for Australian Synchrotron Company Ltd and Australian Synchrotron Holding Company Ltd	Chairman - Finance Committee Member - Governance Committee Member - Sponsorship Committee
Trevor Roland Kempton <i>Director- non-executive</i>	Small business owner, business management & marketing.	Member - Marketing Committee Member - Governance Committee
Leigh Warren Smith <i>Director – non-executive</i>	Business owner, business management experience. Director of Allsmith Pty Ltd, Goulburn Motor Group (Vic) Pty Ltd, Goulburn Motor Group (Vic) Properties Pty Ltd, Quatro Grande Pty Ltd, Quatro Grande Properties Pty Ltd.	Chairman - Sponsorship Committee Member - Finance Committee
Gordon Lennox McFarlane <i>Director – non-executive</i> Cert Bus (Acc), B Bus, CPA, MBA JP in Victoria	Executive, Melbourne Water business management, finance, contract management, governance. Sugarloaf Pipeline Alliance ALT.	Chairman - Governance Committee Member - Asset Management Member - Marketing Committee
Elisabeth Kay Grant <i>Director - non executive</i> BA Graphic Design (Resigned 1 October 2009)	Advertising, design, marketing, corporate communications, education. Director of graphic design consultancy.	Chairman - Marketing Committee Member - Staff Committee

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Directors' Report

Directors (continued)

Michael Ronald Hills <i>Director – non-executive</i> <i>Company secretary</i> B.Ec(Hons) CPA Registered Tax Agent (Resigned 31 March 2010)	Banking, economics, corporate & strategic planning, administration. Director of Foundation Boroondara Ltd and Melbourne High School Foundation Ltd.	Company Secretary Member - Finance Committee Member - Asset Management
Catherine Anne van der Zee <i>Director – non-executive</i> BA, MBA (Resigned 21 October 2009)	Business planning and analysis, environmental management in industry, state and local government. Involvement in environmental and community projects in the Ashburton and Glen Iris areas.	Member - Marketing Committee Member - Governance Committee
Jane Selina Martino <i>Director – non-executive</i> B. Arts (Hons) (Appointed 22 July 2009) (Resigned 30 September 2009)	Owner & Executive Director of Undertow Media PR, Marketing & Events Agency 2002 - current. Over 15 years experience in consumer communications and event management. Director of the Bastion Group. Active mother of three and community member.	Member - Marketing Committee Member - Staff Committee
Zoe Clair Hart <i>Director – non-executive</i> B.Comm. CPA,. DipFS(fp) (Appointed 22 July 2009) (Resigned 9 September 2009)	Business Strategy development and implementation. Business Development client generation & retention focus within local & international banking & finance industries finance/business manager for Vic not for profit. Student mentor (secondary, university and post graduate). Active mother of two.	Member - Marketing Committee Member - Sponsorship Committee

Directors were in office for the entire year except where otherwise stated.

Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate three franchised branches of Bendigo and Adelaide Bank Limited in Canterbury, Surrey Hills and Ashburton, Victoria.

There has been no significant changes in the nature of these activities during the year.

Operating Results

The profit/(loss) of the Company for the financial year after provision for income tax was \$217,591 (2009: (\$891)).

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Dividends

No dividend was paid in the year ended 30 June 2010 (2009: nil). No share capital return was paid in the year ended 30 June 2010 (2009: 10 cents per share).

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

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 has established a Steering Committee for the potential formation of a further branch office in Balwyn. The Company is unable to disclose the expected results of this development due to the preliminary stage of this development.

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 apart from the following:

K-Mack Lockers Pty Ltd of which Hans Menting is a Director received a payment of \$346 (2009: \$620) for the purchase of filing cabinets during the year ended 30 June 2010.

An allowance was paid to some directors to cover expenses incurred on behalf of the Company. The total paid in allowances for the year was \$4,500 (2009: \$6,750).

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.

Remuneration Report

Directors may receive a fee from a remuneration pool. Office holders of the Board and committee Chairperson's may receive higher fees than other Directors. These payments are made in recognition of the work undertaken by Directors that would otherwise be carried out by paid executive staff and/or professional service providers, and therefore are not contingent upon Company performance.

The determination of individual Board member payments are made by the Board after considering the relative workloads involved. Directors may elect to not receive any payments.

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Directors' Report

Remuneration Report (continued)

Director Remuneration for the year ended 30 June 2010:

	Salary & Fees 2010 \$	<u>Primary Benefits</u> Salary & Fees 2009 \$
Hans Diederick Menting	21,000	21,000
Robert Einar Stensholt	-	-
Damien Leo Hudson	3,000	2,000
Juliann Ruth Byron	10,000	10,000
Trevor Roland Kempton	1,000	1,000
Leigh Warren Smith	-	4,000
Gordon Lennox McFarlane	2,000	1,500
Michael Roland Hills (resigned 31 March 2010)	2,000	4,000
Elisabeth Kay Grant (resigned 1 October 2009)	1,000	4,000
Catherine Ann van der Zee (resigned 30 November 2009)	833	1,000
Jane Selina Martino (resigned 1 October 2009)	-	-
Zoe Clair Hart (resigned 9 September 2009)	-	-

Executive Remuneration for the year ended 30 June 2010:

The Board is responsible for the determination of remuneration packages and policies applicable to the senior manager and all the staff. The senior manager is invited to the Board meeting as required to discuss performance and remuneration packages.

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 occurred 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.

Non-audit Services

The amount paid or payable to the Auditor (Richmond Sinnott & Delahunty) for non-audit services provided during the year ended 30 June 2010 was \$6,075 (2009: 1,000).

The Directors are satisfied that the provisions of non-audit services by the Auditor did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Finance Committee to ensure they do not impact on the impartiality and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

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Directors' Report

Company Secretary

The Company Secretary at 30 June 2010 was Juliann Byron. Ms Byron is an experienced Company Secretary who has taken the role upon the resignation of Michael Hills until a suitable replacement can be engaged.

Auditors Declaration

Pursuant to Section 298(1AA)(c) of the Corporations Act, a copy of the Auditor's Declaration is contained on page 7.

Directors Meetings

The number of Directors meetings attended during the year were:

Director	Board Meetings[#]
Hans Dieterick Menting	11 (11)
Robert Einar Stensholt	6 (11)
Damien Leo Hudson	11 (11)
Juliann Ruth Byron	10 (11)
Trevor Roland Kempton	9 (11)
Leigh Warren Smith	8 (11)
Gordon Lennox McFarlane	11 (11)
Michael Roland Hills (resigned 31 March 2010)	5 (8)
Elisabeth Kay Grant (resigned 1 October 2009)	3 (3)
Catherine Ann van der Zee (resigned 30 November 2009)	4 (5)
Jane Selina Martino (resigned 1 October 2009)	3 (3)
Zoe Clair Hart (resigned 9 September 2009)	2 (2)

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

Additional Information - Listed Entity

a In accordance with Bendigo Stock Exchange listing rule 3.17, the Company provides the following information as at 26 August 2010, which is within 6 weeks of this report being sent to shareholders.

b Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in this annual report.

c Corporate Governance

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

- (a) The continuance of an Audit & Governance Committee. Members of this Committee are Juliann Byron, Gordon McFarlane and Trevor Kempton;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

d The Company has not received any substantial shareholding notices under Section 671B(3) of the Corporations Act.

e There are 742 holders of ordinary shares in the Company.

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Directors' Report

Additional Information - Listed Entity (continued)

- f Each shareholder is entitled to one vote in a show of hands or a poll. Where a shareholder has appointed more than one representative, proxy or attorney for the shareholder, only one of the representatives, proxies or attorneys is entitled to vote. Where a person is entitled to vote on a show of hands in more than one capacity, that person is entitled only to one vote.
- g The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

<u>Number of Shares Held</u>	<u>Number of Shareholders</u>
1 to 1,000	302
1,001 to 5,000	342
5,001 to 10,000	68
10,001 to 100,000	30
100,001 and over	NIL

- h There are 65 shareholders holding less than a marketable parcel of shares (\$500 in value).
- i The following table shows the 10 largest shareholders.

<u>Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of Capital</u>
Adrienne Leslie Murray	100,000	3.86%
Kevin Francis McCormack	49,000	1.89%
Thomas Leigh Pty Ltd <Waring Family Super Fund A/c>	43,500	1.68%
Harry Keith Atkinson	40,000	1.54%
Leigh & Felicity Smith <EB Investment Fund A/c>	40,000	1.54%
Richard Middleton <Marpjz Super Fund A/c>	40,000	1.54%
Wayne & Erica Austen	38,000	1.47%
John Henry & Patricia Noreen Anderson	30,000	1.16%
K D B Pty Ltd	21,000	0.81%
CGT Investments Pty Ltd <CGT Investments Super Fund A/c>	20,000	0.77%
	<u>421,500</u>	<u>16.26%</u>

- j The Company secretary is Juliann Ruth Byron.
- k The Company's contact details for the registered office and principle administrative office are:

143 Mailing Road, Canterbury VIC 3126
Phone (03) 9836 9466

- l The securities register (share register) is kept at:

Richmond Sinnott & Delahunty
172 - 176 Mclvor Road
Bendigo VIC 3551
Phone: 03 5443 1177

- m There are no restricted securities on issue. All shares on issue are ordinary shares fully paid with a face value of \$1 per share.
- n There are no unquoted equity securities.

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Directors' Report

Auditor Independence Declaration

The directors received the following declaration from the auditor of the company:

Richmond Sinnott & Delahunty
Chartered Accountants



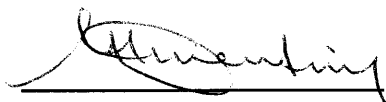
172-176 Melvor Rd
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail:
rsd@rsd advisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Canterbury Surrey Hills Community Finance Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements

Philip Delahunty
Partner
Richmond Sinnott & Delahunty
6 September 2010

This Directors Report was signed in accordance with a resolution of the Board of Directors at Melbourne, Victoria on 6 September 2010.



Hans Diederick Menting, Chairman

Canterbury Surrey Hills Community Finance Limited

ABN 96 099 590 593

Statement of Comprehensive Income

For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenue from ordinary activities	2	2,141,558	1,691,616
Employee benefits expense	3	(946,377)	(841,932)
Charitable donations and sponsorship		(223,463)	(219,984)
Depreciation and amortisation expense	3	(76,882)	(64,713)
Other expenses from ordinary activities		<u>(594,202)</u>	<u>(554,519)</u>
Profit before income tax expense		300,634	10,468
Income tax expense	4	<u>83,043</u>	<u>11,359</u>
Profit/(Loss) after income tax expense		217,591	(891)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>217,591</u></u>	<u><u>(891)</u></u>
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	22	8.40	(0.04)
- diluted for profit/(loss) for the year	22	8.40	(0.04)

The accompanying notes form part of these financial statements

Canterbury Surrey Hills Community Finance Limited
ABN 96 099 590 593
Statement of Financial Position
As at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	6	412,783	353,624
Receivables	7	585,416	326,663
Total Current Assets		<u>998,199</u>	<u>680,287</u>
Non-Current Assets			
Property, plant and equipment	8	324,947	330,333
Deferred tax asset	4	-	22,527
Intangible assets	9	143,773	189,695
Total Non-Current Assets		<u>468,720</u>	<u>542,555</u>
Total Assets		<u>1,466,919</u>	<u>1,222,842</u>
Current Liabilities			
Payables	10	150,070	135,478
Current tax liability	11	22,424	-
Provisions	12	25,767	36,297
Total Current Liabilities		<u>198,261</u>	<u>171,775</u>
Total Liabilities		<u>198,261</u>	<u>171,775</u>
Net Assets		<u>1,268,658</u>	<u>1,051,067</u>
Equity			
Share capital	13	1,302,239	1,302,239
Accumulated losses	14	(33,581)	(251,172)
Total Equity		<u>1,268,658</u>	<u>1,051,067</u>

The accompanying notes form part of these financial statements

Canterbury Surrey Hills Community Finance Limited
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Statement of Cash Flows
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		2,078,407	1,721,252
Cash payments in the course of operations		(1,972,449)	(1,720,776)
Interest received		16,867	21,127
Income tax paid		(38,092)	-
Net cash flows provided from operating activities	15b	84,733	21,603
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(25,574)	(259,492)
Payments for intangible assets		-	(168,529)
Net cash flows (used in) from investing activities		(25,574)	(428,021)
Cash Flows From Financing Activities			
Member contributions		-	406,748
Return of capital		-	(109,206)
Net cash flows provided from financing activities		-	297,542
Net increase/(decrease) in cash held		59,159	(108,876)
Cash and cash equivalents at start of year		353,624	462,500
Cash and cash equivalents at end of year	15a	412,783	353,624

The accompanying notes form part of these financial statements

Canterbury Surrey Hills Community Finance Limited
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Statement of Changes in Equity
For the year ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
SHARE CAPITAL			
Balance at start of year		1,302,239	1,004,697
Return on capital (2009: 10 cents per share)		-	(109,206)
Issue of share capital		<u>-</u>	<u>406,748</u>
Balance at end of year		<u><u>1,302,239</u></u>	<u><u>1,302,239</u></u>
RETAINED EARNINGS/(ACCUMULATED LOSSES)			
Balance at start of year		(251,172)	(250,281)
Profit/(loss) after income tax expense		217,591	(891)
Dividends paid	21	<u>-</u>	<u>-</u>
Balance at end of year		<u><u>(33,581)</u></u>	<u><u>(251,172)</u></u>

The accompanying notes form part of these financial statements

Canterbury Surrey Hills Community Finance Limited

ABN 96 099 590 593

**Notes to the Financial Statements
for the year ended 30 June 2010**

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Canterbury Surrey Hills Community Financial Services Limited ('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 banking 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 6 September 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.

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.

Canterbury Surrey Hills Community Finance Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Property, plant and equipment

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

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

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Plant & Equipment	7.5 - 100%

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.

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.

Canterbury Surrey Hills Community Finance Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

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.

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.

Canterbury Surrey Hills Community Finance Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

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
	\$	\$
2. Revenue from ordinary activities		
Operating activities:		
- services commissions	2,124,691	1,670,489
Total revenue from operating activities	<u>2,124,691</u>	<u>1,670,489</u>
Non-operating activities:		
- interest received	16,867	21,127
- other revenue	-	-
Total revenue from non-operating activities	<u>16,867</u>	<u>21,127</u>
Total revenue from ordinary activities	<u><u>2,141,558</u></u>	<u><u>1,691,616</u></u>
3. Expenses		
Employee benefits expense		
- wages and salaries	782,040	690,229
- superannuation costs	48,635	79,089
- workers' compensation costs	4,165	1,452
- other costs	111,537	71,162
	<u>946,377</u>	<u>841,932</u>
Depreciation of non-current assets:		
- plant and equipment	30,960	22,826
Amortisation of non-current assets:		
- intangibles	45,922	41,887
	<u>76,882</u>	<u>64,713</u>
Bad debts	645	523

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Notes to the Financial Statements
for the year ended 30 June 2010

4. Income Tax Expense

	2010	2009
	\$	\$

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

Prima facie tax on profit before income tax at 30%	90,190	3,140
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(7,147)	8,219
<i>Current income tax expense</i>	83,043	11,359
Income tax expense	83,043	11,359

Deferred tax asset

Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.

	-	22,527
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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
- Valuation of the Company	-	1,000
- Share registry costs	6,075	-
	9,975	4,650

6. Cash and Cash Equivalents

Cash at bank and on hand	412,783	353,624
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7. Receivables

Accrued income	226,528	188,216
Deposits	24,321	24,321
Prepayments	334,567	114,126
	585,416	326,663

8. Property, Plant and Equipment

<i>Plant and equipment</i>		
At cost	763,232	737,658
Less accumulated depreciation	(438,285)	(407,325)
Total written down amount	324,947	330,333

Movements in carrying amounts

<i>Plant and equipment</i>		
Carrying amount at beginning of year	330,333	93,667
Additions	25,574	259,492
Disposals	-	-
Depreciation expense	(30,960)	(22,826)
Carrying amount at end of year	324,947	330,333

Canterbury Surrey Hills Community Finance Limited
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Notes to the Financial Statements
for the year ended 30 June 2010

9. Intangible Assets	2010	2009
	\$	\$
<i>Franchise Fee</i>		
At cost	224,810	224,810
Less accumulated amortisation	(152,092)	(127,130)
	<u>72,718</u>	<u>97,680</u>
<i>Preliminary Expenses</i>		
At cost	215,536	215,536
Less accumulated amortisation	(144,481)	(123,521)
	<u>71,055</u>	<u>92,015</u>
	<u>143,773</u>	<u>189,695</u>
10. Payables		
PAYG withholding	15,322	16,464
Other creditors and accruals	134,748	119,014
	<u>150,070</u>	<u>135,478</u>
11. Current Tax Liabilities		
Current tax payable	<u>22,424</u>	<u>-</u>
12. Provisions		
Employee benefits	<u>25,767</u>	<u>36,297</u>
13. Share Capital		
1,092,062 Ordinary Shares fully paid to 82 cents (2009: 82 cents) each	895,491	895,491
406,748 Ordinary Shares fully paid to \$1 each	406,748	406,748
	<u>1,302,239</u>	<u>1,302,239</u>
- 1,092,062 shares were issued on 3 October 2008 as a bonus at the ratio of 1:1.		
<i>Movement in ordinary shares</i>		
Balance at beginning of year	1,302,239	1,004,697
Issued capital	-	406,748
Return on capital of nil cents per share (2009: 10 cents)	-	(109,206)
Balance at end of year	<u>1,302,239</u>	<u>1,302,239</u>
14. Accumulated Losses		
Balance at the beginning of the financial year	(251,172)	(250,281)
Profit/(loss) after income tax	217,591	(891)
Balance at the end of the financial year	<u>(33,581)</u>	<u>(251,172)</u>

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15. Statement of Cash Flows

	2010	2009
	\$	\$
(a) Cash and cash equivalents		
Cash at bank and on hand	<u>412,783</u>	<u>353,624</u>
(b) Reconciliation of profit/(loss) after tax to net cash provided from operating activities		
Profit/(loss) after income tax	217,591	(891)
Non cash items		
- Depreciation	30,960	22,826
- Amortisation	45,922	41,887
Changes in assets and liabilities		
- (Increase) decrease in receivables	(258,753)	(116,144)
- Increase (decrease) in payables	14,592	52,909
- Increase (decrease) in provisions	(10,530)	9,657
- Increase (decrease) in income tax payable	22,424	-
- (Increase) decrease in deferred income tax asset	22,527	11,359
Net cashflows provided from operating activities	<u>84,733</u>	<u>21,603</u>

16. Director and Related Party Disclosures

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

Hans Diederick Menting
Robert Einar Stensholt
Damien Leo Hudson
Juliann Ruth Byron
Trevor Roland Kempton
Leigh Warren Smith
Gordon Lennox McFarlane
Michael Roland Hills (resigned 31 March 2010)
Elisabeth Kay Grant (resigned 1 October 2009)
Catherine Ann van der Zee (resigned 30 November 2009)
Jane Selina Martino (resigned 1 October 2009)
Zoe Clair Hart (resigned 9 September 2009)

Other than detailed below no director or related entity has entered into a material contract with the Company.

K-Mack Lockers Pty Ltd of which Hans Menting is a Director received a payment of \$346 (2009: \$620) for the purchase of filing cabinets during the year ended 30 June 2010.

An allowance was paid to some directors to cover expenses incurred on behalf of the Company. The total paid in allowances for the year was \$4,500 (2009: \$6,750).

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**Notes to the Financial Statements
for the year ended 30 June 2010**

16. Director and Related Party Disclosures (continued)

Directors may receive a fee from a remuneration pool. Office holders of the Board and committee Chairperson's may receive higher fees than other Directors. These payments are made in recognition of the work undertaken by Directors that would otherwise be carried out by paid executive staff and/or professional service providers, and therefore are not contingent upon Company performance.

The determination of individual Board member payments are made by the Board after considering the relative workloads involved. Directors may elect to not receive any payments.

Director Remuneration for the year ended 30 June 2010:

	Primary <u>Benefits</u> Salary & Fees 2010 \$	Primary <u>Benefits</u> Salary & Fees 2009 \$
Hans Diederick Menting	21,000	21,000
Robert Einar Stensholt	-	-
Damien Leo Hudson	3,000	2,000
Juliann Ruth Byron	10,000	10,000
Trevor Roland Kempton	1,000	1,000
Leigh Warren Smith	-	4,000
Gordon Lennox McFarlane	2,000	1,500
Michael Roland Hills (resigned 31 March 2010)	2,000	4,000
Elisabeth Kay Grant (resigned 1 October 2009)	1,000	4,000
Catherine Ann van der Zee (resigned 30 November 2009)	833	1,000
Jane Selina Martino (resigned 1 October 2009)	-	-
Zoe Clair Hart (resigned 9 September 2009)	-	-

Directors shareholdings	2010	2009
Hans Diederick Menting	7,002	7,002
Robert Einar Stensholt	18,500	18,500
Damien Leo Hudson	12,802	12,802
Juliann Ruth Byron	8,000	8,000
Trevor Roland Kempton	-	-
Leigh Warren Smith	40,000	40,000
Gordon Lennox McFarlane	2,500	2,500
Michael Roland Hills (resigned 31 March 2010)	2,000	2,000
Elisabeth Kay Grant (resigned 1 October 2009)	6,000	6,000
Catherine Ann van der Zee (resigned 30 November 2009)	2,000	2,000
Jane Selina Martino (resigned 1 October 2009)	-	-
Zoe Clair Hart (resigned 9 September 2009)	-	-

There was no movement in directors shareholdings during the year. All shares have a face value of \$1 per share.

17. Subsequent Events

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

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18. Contingent Liabilities

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

19. 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 the City of Boroondara, Victoria.

20. Corporate Information

Canterbury Surrey Hills Community Finance Limited is a company limited by shares incorporated in Australia.

The registered office and principal place of business is:

Registered office

143 Mailing Road
Canterbury Victoria 3126

Principal place of business

Surrey Hills Community Bank
107 Union Road
Surrey Hills Victoria 3127

Canterbury Community Bank
143 Mailing Road
Canterbury Victoria 3126

Ashburton Community Bank
241 High Street
Ashburton Victoria 3147

21. Dividends paid or proposed for on ordinary shares

No dividends were paid or proposed by the Company during the year.

22. 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	<u>217,591</u>	<u>(891)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>2,590,872</u>	<u>2,103,263</u>

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For the year ended 30 June 2010

23. 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 has established an Finance Committee which reports regularly to the Board. The Finance Committee 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:

	<u>Carrying Amount</u>	
	2010	2009
	\$	\$
Cash assets	412,783	353,624
Accrued income and deposits	250,849	212,537
	<u>663,632</u>	<u>566,161</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of accrued income 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.

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Notes to the Financial Statements
For the year ended 30 June 2010

23. Financial risk management (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	150,070	(150,070)	(150,070)	-	-
	<u>150,070</u>	<u>(150,070)</u>	<u>(150,070)</u>	<u>-</u>	<u>-</u>
30 June 2009					
Payables	135,478	(135,478)	(135,478)	-	-
	<u>135,478</u>	<u>(135,478)</u>	<u>(135,478)</u>	<u>-</u>	<u>-</u>

(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.

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	311,250	211,250
Financial liabilities	-	-
	<u>311,250</u>	<u>211,250</u>
Variable rate instruments		
Financial assets	101,533	142,374
Financial liabilities	-	-
	<u>101,533</u>	<u>142,374</u>

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.

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Notes to the Financial Statements
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23. Financial risk management (continued)

(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.

(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.

Canterbury Surrey Hills Community Finance Limited
ABN 96 099 590 593
Directors' Declaration

In accordance with a resolution of the directors of Canterbury Surrey Hills Community Finance Limited, 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;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.



Hans Diederick Menting, Chairman

Signed in Melbourne on 6 September 2010.

Richmond Sinnott & Delahunty

Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CANTERBURY SURREY HILLS COMMUNITY FINANCE LIMITED

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 Canterbury Surrey Hills Community Finance Limited, 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 Canterbury Surrey Hills Community Finance 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 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

Chartered Accountants



Philip Delahunty

Partner

Bendigo

Date: 6 September 2010