

annual report 2010



Canterbury Surrey Hills
Community Finance Limited
ABN 96 099 590 593

Canterbury **Community Bank**[®] Branch
Ashburton **Community Bank**[®] Branch
Surrey Hills **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

We are now seeing the real outcomes of the work done in creating our **Community Bank®** branches. At the time of this report, we will have distributed close to \$1.1 million in sponsorships to about 160 community organisations in our areas of operation. We have also announced a 5 cent per share fully franked dividend to our shareholders.

Our budget for sponsorships and grants for the current year is just over \$500,000. That amount should increase considerably in future years. Much of your Directors' time will now be spent on finding appropriate uses for those funds. For some years, we have discussed the potential to fund seed capital for a major respite centre in Surrey Hills or Canterbury. We would very much appreciate suggestions by our shareholders.

In this report, we have listed all sponsored organisations and the amounts paid to them. This more detailed information is as a result of comments made by shareholders at last year's annual meeting. We have also stated our policies and processes in relation to sponsorships and grants to keep you informed on this crucial part of our business.

It is particularly pleasing to note that we are starting to see significant business from members of a number of our sponsored organisations. Your Directors and staff are spending much time to increase our business with the help of our sponsored organisations.

Ashburton **Community Bank®** Branch saw its first profitable month in July this year, after only 21 months of trading. An excellent result and well within the estimated time stated in the prospectus. Our Company has been the first **Community Bank®** Company to prove that Bendigo Bank **Community Bank®** branches can compete with all majors present in a metropolitan area.

With our Ashburton **Community Bank®** Branch in profits, your Board decided that the next logical expansion was to Balwyn. We already sponsor 20 organisations based in Balwyn.

Parking is another reason as many potential customers find Maling Road and Union Road too difficult to stop in. At the time of this report, the second phase, the feasibility study, will have started. By early 2011, we hope to issue a prospectus, essentially to gain another 70 Balwyn based shareholders to allow our Balwyn branch to operate as a **Community Bank®** branch. At this stage, we hope to raise a minimum of \$150,000 in capital to help fund the Balwyn branch set up costs. The remaining costs will be funded from cash on hand. The branch will open as soon as we can find and fit out a property in Whitehorse Road, Balwyn.

I would like to thank Bendigo and Adelaide Bank Ltd and its previous CEO, Rob Hunt in particular, on behalf of all shareholders, sponsored organisations, staff and Directors for letting us create this wonderful community owned asset, which is our Company with its **Community Bank®** branches. So many great things will be possible in future years through a wide variety of community organisations.

Chairman's report continued

Our staff did a great job during the year. With a very slow first quarter – we actually had a small reduction in total business – the last three quarters were well above budget and for the year, we exceeded our budgeted profit. That was due to a large extent in the significant rise in lending business. On behalf of our shareholders and Directors, I thank you for the hard work and especially for the time spent on connecting with our sponsored organisations and helping your Directors run our Company so profitably.



Dick Menting

Chairman

Senior Manager's report

For year ending 30 June 2010

What another challenging year we just faced. Canterbury **Community Bank**[®] Branch and Surrey Hills **Community Bank**[®] Branch are now entering their 8th year and Ashburton **Community Bank**[®] Branch is coming up to its 2nd birthday.

The business is growing at a steady rate and we are getting some great support and traction from the many organisations and clubs (over 150 in total) that we support. Our investment into the local community has increased substantially over the past 12 months and will continue to so, doubling this years result, if both targets are hit and margins maintained.

Deposits for the group increased by \$11 million (over 7%), to a level of just over \$160 million in a very competitive environment. Although well down on the previous year, it is a very pleasing result and accredited to a strong retention program conducted throughout the three branches.

The highlight for the year, I believe, is the success that the business has had with lending growth. Our lending book grew by \$23 million to almost \$108 million across the group, equating to more than 27% for the 12 month period. This compared to the \$7 million the previous year. Lending (in particular residential) has the highest margin for the business and as such this is reflected in the overall performance of the group and profit achieved after the substantial level of sponsorship paid.

This 2010 result of \$23 million confirms our connection to the community, range of competitive products on offer, and ability of the team to engage with our customers.

Canterbury **Community Bank**[®] Branch had a mixed year with footings remaining constant at \$90 million. Staffing and in particular management changes impacted on the branch. I am pleased to say that the later part of the year was successful (picking up lost ground) and this part of the business is now tracking well. The first few months of the new year are well above target. Our new manager Craig Pitt has settled in well and has brought a lot of experience and knowledge to the role.

Ashburton **Community Bank**[®] Branch has footings of \$54million which is well above the budget as set out in the prospectus (dated 25/9/08). By June 2010 the budget was set for \$43.5 million and June 2011 \$56 million. This means that the branch is almost a year ahead of where it was expected and the team are to be congratulated. The mix between deposits and lending are not quite ideal, being heavily weighted on deposits, however we gain comfort from the local support received. The challenge for the year ahead is to grow the lending book for the outlet and balance the footings.

Surrey Hills **Community Bank**[®] Branch reached footings of \$124 million as at the end of the year, representing growth of \$21 million. A further highlight for the team was the recognition and receiving the "Region branch of the year" award, at a recent event held in August. This is truly a fantastic result and the team is to be congratulated for their overall performance.

Senior Manager's report continued

Across the group account numbers continued to grow with an additional 923 recorded for the year, similar to that of the previous. This brings our total accounts to 8,798 with products per customer also increasing. We are finding that our customers want to do more with us and value the 'old fashioned' service provided throughout all three sites.

Staff

I would like to acknowledge the efforts of all staff, not only the existing and new, but also the ones that have moved on over the past 12 months. With a business that employees 17 staff you expect a certain level of turnover and we have not been excluded from this.

At Canterbury **Community Bank**® Branch we welcomed our new manager Craig Pitt who transferred from Camberwell branch (Company owned site) and Sandra Maggs joining us as the Customer Relationship Officer. With Craig's management and lending skills we have already see an improvement in branch performance. We are all very excited about the year ahead. Craig and Sandra are well supported by the other team members of Sam, Tim and Fiona.

Ashburton branch has been stable with staffing with the only change being Ruby Groenmeyer joining the team during the year as Customer Relationship Officer. Ruby has well supported Linda Jones Branch Manager and the other team members of Beverley and Sonia. Linda has recently handed in her resignation as she is looking to retire. We all wish her the very best in her retirement and thank her for the past two years and what she achieved in her time as Branch Manager. We are actively looking for a new manager that can continue to drive the business and build on the good work Linda has done.

Surrey Hills **Community Bank**® Branch had a number of changes throughout the year, welcoming Fiona Hunter as Senior Customer Service Officer and both Helen Sargeant and Anastasia Flessias as Customer Service Officers. In addition to these changes we also appointed Aaron Knott as Customer Relationship Manager, a new position created due to the level of the lending book at the branch. These new staff members together with Alistair and Adriana are great support to Fiona Kerr Branch Manager. Phillip Adderly Relieving Customer Service Officer is great support across all three sites.

We have received great support from Michael Petering Regional Manager and his team from Bendigo and Adelaide Bank Ltd. We appreciate this and look forward to working closely with them over the coming year.

Board support

I would like to acknowledge the dedication and tireless efforts of the Board. Dick Menting our Chairman and the other Directors have been a great support to me and the team. We appreciate the connection they have within the community and the business opportunities identify and referred on. This has helped to grow the business and overall results achieved for the year.

Summary

With over \$1 million invested back into the local communities by way of grants and sponsorships (since 2003), we are all excited with the prospect of maybe doubling this in the next two years. This will only be achieved with ongoing support of our local businesses, customers, shareholders and community groups.

Senior Manager's report continued

We are in the process of looking at our fourth site (in Balwyn) and I would like to thank the steering committee and all those who are involved with this. I see Balwyn as a great fit to our business and a great opportunity for us to increase the level of community investment as a result.

To our customers and shareholders I say "thank you". You are a very important part of our business and without your support and banking we would not be able to provide funds to our communities.

I therefore urge all our staff, Directors, shareholders, customers and community groups and clubs to encourage your friends and families to support the **Community Bank®** branches of Canterbury, Ashburton and Surrey Hills (and hopefully soon to be Balwyn). By doing this you are supporting your own community



Nick Coker

Senior Manager

Treasurer's report

For year ending 30 June 2010

Operating results

The profit of the Company for the financial period after provision for income tax was:

Period ended 30-Jun-10	Period ended 30-Jun-09
\$217,591	\$(891)

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 period under review not otherwise disclosed in this report.

Significant events after the balance date

The Directors have since the completion of the accounts declared a dividend for the financial year 30 June 2010 of 5 cents per share. This dividend will be fully franked.

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.



Juliann Byron
Treasurer

Year in review

Business growth

Business grew across the branches providing a solid performance, increasing business by 14.9% overall to \$267.9 million. The Lending book grew the strongest at 27%. As a consequence this boosted the revenue of the Company by 26.6% for the year ended 30 June 2010. Of particular note was the Surrey Hills branch which increased business and revenues by the greatest margin.

Ashburton branch was expected to incur losses for the year, however we are pleased to see that business growth is higher than expected at this stage, when compared to the prospectus, by 25%. Ashburton branch also achieved its first profit in July 2010. This is also ahead of the projected timing in the prospectus.

Dividend

The Board has since the production of the accounts declared a dividend of 5cents per share. This dividend will be fully franked and recognizes the importance of shareholders to the development of the Company. Returns to shareholders will grow as the Company expands its involvement in our communities.

Community groups

The community continues to benefit from the support provided by the sponsorship and grants program. During the year 114 not for profit organizations have benefited from our sponsorship, bringing the total number of sponsored organizations to over 150 since the commencing operations.

We are now seeing a growing amount of business flowing from the association with the sponsored organizations. The largest amount of the business growth is from the sporting clubs with which we have held the longer relationship.

We will continue to work closely with these and other organizations, to improve the relationship further, and grow what is becoming a significant mutually beneficial partnership adding to the growth and development of both.

Under the sponsorship and grant program of Canterbury Surrey Hills Community Finance Limited we had handed out almost \$1million by 30 June 2010, and have now exceeded this significant milestone in the history of this Company.

Staff

There were a number of changes in staff during the year which is always a challenge in a tight employment environment. We are pleased to report that we now have a full compliment of personnel across the 3 branches.

The Company welcomed a new manager at the Canterbury branch on 1 April which has had a positive impact on business growth.

Ongoing training and development of staff is an area of focus to ensure our staff are continually growing and remain up to date with all aspects of the business.

We would also like to acknowledge the dedication of our staff who are increasingly becoming actively involved with our sponsored groups and raising our profile and cementing the relationship with the members.

Year in review continued

Board

The Board underwent some change during the year with loss of Liz Grant who had been a Director since 26 May 2004. The Board wishes to thank Liz for her many hours of work and assistance particularly as Chairman of the marketing committee. Cathy van der Zee and Michael Hills had both been appointed to the Board as a result of the Ashburton campaign on 24 September 2008 and for personal reasons resigned from the Board. Two new Directors, Jane Martino and Zoe Hart were appointed on 22 July 2009 and both resigned in September 2009. We thank the Directors who have left the Board, for their assistance during their appointment.

The Board has reviewed its processes for recruitment of persons to the Board in addition to an update of its induction procedure which it believes will assist in effective Board recruitment and retention. Of importance to this process is the time commitment required and the importance of induction into the Board and the way it works.

Future opportunities

As at the time of this report the Board has progressed to the feasibility study stage of the process towards opening a branch in Balwyn. The decision to consider Balwyn as the next site for the Company was made easy when we considered the number of groups which we already sponsor in the area. This is in addition to the amount of business we have already secured from the Balwyn area. Once the feasibility stage is complete, we expect to issue a prospectus in early 2011 to add to our capital to enable the set up of the branch.

We now have the benefit of a Senior Manager and Branch Managers who can handle the business and maximize the Bendigo Bank products we can offer our customers. We are also benefiting from the increased competitiveness of the Bendigo Bank products with the big banks and our staff are increasingly able to capitalise on this.

Bendigo and Adelaide Bank Ltd continues to support us well across all areas including financial planning, business banking, and insurance. This support plus our experienced staff has delivered a vastly improved profit result for the 2009/2010 year and we believe the strategic direction for the Company's future can provide a solid base for ongoing success.

Shareholders and key stakeholders can also assist with the success of the business by telling others of the benefits the community gains by banking using our **Community Bank®** branches.

"Bank with us and the community benefits."

Sponsorship and Grants Committee

– terms of reference

1 Purpose of Committee

The purpose of the Canterbury Surrey Hills Community Finance Limited's (or "CSHCFL" or the "Company") Sponsorship and Grants Committee is to:-

- Facilitate the distribution of funds generated from business activities to the community through two distinct processes; by evaluating grant applications and also by the commercial use of sponsorship to foster business growth.

2 Composition of Committee, quorum, Chairman, minutes

The Sponsorship and Grants Committee is to consist of at least three (3) Directors, with a quorum of two, plus the Senior Manager (SM) and /or a Branch Manager. The Committee may include no more than three non-voting community representatives as an advisory panel that may also assist with promoting the Company.

One of the Board members of the Committee is to be selected by the Committee as Chairman. In addition to arranging and chairing Committee meetings, the Committee chairman is responsible for ensuring all records of the Committee are maintained and correct minutes and reports are prepared and distributed as required.

3 Selection of Committee and term of office

The members of the Sponsorship and Grants Committee are to be appointed annually by the Board at the first Board Meeting following the Company's Annual General Meeting.

The Committee is to operate until the date of first regular Board Meeting following the Annual General Meeting, or the Company otherwise determines.

Casual vacancies within the Committee during its term may be filled by agreement of the remaining Committee members, who are Board members. The appointment is to be confirmed at the next Board Meeting.

The Committee may recommend the appointment of suitably qualified non Board Member community representatives subject to Board approval.

4 Duties and responsibilities of Committee

The Sponsorship and Grants Committee is to receive and appraise all sponsorship and grant requests from clubs, associations and organisations within our **Community Bank®** branches prime market areas. This includes sponsorship applications assessed and approved by the SM, in accordance with the delegation to the SM.

Where a conflict of interest arises and the Committee is unable to provide a sponsorship decision or a recommendation to the Board concerning any application, the request will be referred to the Board for consideration.

The Committee will consult with the Marketing and Promotions Committee in regard to the promotion of grants and sponsorship activities and promote the process and procedures for applying, assessing and receiving grants and sponsorships.

Applications for funding will be acknowledged within 14 days to the person forwarding the application.

Response to requests for funding will be provided within 90 days from receipt of application with a proposal to sponsor or not.

Sponsorship and Grants Committee

– terms of reference continued

4 Duties and responsibilities of Committee (continued)

A register of sponsorship and grant payments will be maintained and reported to the Board on a quarterly basis. The Committee will arrange for the appropriate approvals and timely delivery and /or presentation of cheques / goods.

The Committee will provide an overview of the sponsorship and grant process and current status of payments made to new Board members as part of the Board Member Induction Kit.

The Committee will document the principles upon which we provide sponsorship and grants and monitor the value that the Company obtains from these arrangements.

5 Power of the Committee

All grant applications will be referred to the Board for determination.

All grant applications will be assessed by the Committee and then a recommendation made to the Board for approval. Board approved payments can be actioned by the Committee.

The Committee is to receive all sponsorships and grants applications from the Senior Manager (SM) after assessment and recommendation by the SM.

Sponsorship applications \$15,000 or greater, are to be assessed and a recommendation presented to the Board for approval. Board approved payments can be actioned by the Committee. To assist the Committee with major projects, the Board may appoint one Board member or a team of Board members to progress a particular major project and report back to the Board.

The Sponsorship and Grants Committee has delegated authority to assess and approve sponsorship applications, and action the related payment, totalling less than \$15,000 over the life of the agreement.

Minor sponsorship applications up to \$500 can be assessed and approved by the SM specifically for business development purposes and reported to the Sponsorship and Grants Committee monthly. Conditions include:

- Each minor application may not exceed \$500.
- Requests must be in writing.
- Confirmation that sponsorship funds are available within the annual budget limit.
- The sponsorship will assist in improving the profitability of the Company and a “return on investment” report stating the commercial advantage of the arrangement is to be provided to the Sponsorship and Grants Committee.
- Preference should be given to groups not currently banking with the Company but agreeing to do so on sponsorship being struck.
- Payments are into an account held at on of the Company **Community Bank®** branches.
- No more than \$1,000 in sponsorship per month per branch.
- Only one application from any applicant in a 6 month period. Exceptions referred to the Sponsorship and Grants Committee.
- Minor sponsorships to be reported in the monthly Managers Report to the Board.

Sponsorship and Grants Committee

– terms of reference continued

5 Power of the Committee (continued)

The total of sponsorship and grant approvals and payments are to be within the annual budget provided and is subject to review by the Board from time to time. Exceptions require approval by the Board.

No sponsorship is to be provided to political organizations or for the purposes of religious or political proselytisation. This latter item does not exclude sponsorship of fetes, building and fabric related items or of events organized for the purpose of encouragement of tolerance and understanding.

Attached is the “Application Form”.

6 Decision making

Decisions are by a simple majority vote.

7 Meetings

Approximately quarterly or when events require or warrant further meetings, in the view of the chairperson.

8 Records of the Committee

All decisions and recommendations of the Sponsorship and Grants Committee are to be recorded in the minutes of the Committee, and copies of all minutes are to be provided to the Committee members as soon as possible. The minutes must be confirmed at the following Committee meeting or earlier by electronic means.

A copy of the approved minutes are to be forwarded to the Company Secretary in time for them to be circulated with Agenda items for the next forthcoming Directors meeting. This may require uploading the file to a specified location in e-Room.

The Committee is required to store all correspondence, applications, assessments and recommendations along with the minutes of the Committee. Applications for grants and sponsorships are to be available for review by all Board members.

All sponsorship agreements are to be documented along with the application record.

The Committee’s Chairperson has the responsibility for all records of the Committee.

The application assessment criteria are to be reviewed annually and the relevant application forms updated accordingly.

9 Reports of the Committee

The Sponsorship and Grants Committee, reports to the Company Board.

Other than in exceptional circumstances, motions proposed to the Board by the Committee are to be supplied to the Company Secretary in time for them to be distributed with the agenda for the forthcoming Board meeting.

10 Dissolution of the Committee

The Committee can only be dissolved on resolution of the Board at a properly convened Board Meeting.

Sponsorship and Grants Committee

– terms of reference continued

11 Performance of the Committee

The Committee will conduct an annual review of this Terms of Reference and the Committee's own performance and provide recommendations to the Board for consideration.

The Committee is to review and monitor sponsorship effectiveness and evaluate the results achieved for the Company.

The promptness of payments is to be measured as part of the performance assessment.

12 Clarification of terms used

Sponsorship is a conditional and commercial arrangement with another party for mutual benefit that provide marketing and business growth opportunities for the Company.

Grants are a gift to create goodwill. The recipient must consent to the publication of the grant and comply with any requirements in the "Application form" and "Grants Explanatory Brochure" and any other condition set by the Board. All grant applications will be decided by the Board.

Parties that usually apply for grants and sponsorship are clubs, associations and organisations that are a registered structure and either banking with the Company branches or have agreed to open accounts and bank with one of the Company branches.

The prime market area is normally the suburbs within the catchment area of the **Community Bank®** branch that are within a reasonable distance. Requests from applicants not close to the branch but that present an opportunity to increase banking business may also be considered.

The criteria for assessing a sponsorship application are

- (a) potential for loan and deposit business,
- (b) marketing opportunities to promote the **Community Bank®** branches via the applicant structure and
- (c) assessment of possible other relationships that may offer potential for banking business.

Sponsorship agreements of a term longer than 12 months must be specifically documented for audit purposes and signed by both parties and on record for inspection.

Sponsored organisations

Organisation details	Total paid
ACC Public Tenants Group Inc	305
Alkira of Box Hill	54,995 *
Anglican Church of St Paul	5
Ashburton Area Youth Foundation	43,572 *
Ashburton Bowls Club	20
Ashburton Community Centre	3,000
Ashburton Girl Guides	315
Ashburton Primary School	780
Ashburton Support Services	10
Ashburton United Junior Football Club	20
Ashburton United Soccer Club	1,525
Ashburton Uniting Tennis Club	45
Ashburton Willows Cricket Club	3,025
Ashburton Women's Soccer Club	3,015
Australian Electric Traction Association	15
Australian Youth Band	3,000
Balwyn Cricket Club	9,610 *
Balwyn Football Club	5,025
BassCare	20,550
Belmore Special School	56,030 *
Boroondara Eagles Football Club	8,010
Boroondara Hawks Junior Football Club	1,500
Boroondara Netball Association	5,035
Boroondara Symphonic Band Inc	15
Box Hill/Canterbury Chess Club	5
BUGS Gymnastics	2,535
Burwood Bulletin	580
Burwood Uniting Canterbury Cricket Club	55,000 *
Burwood Village Festival	1,000
Camberwell Central Bowls Club	110
Camberwell Grammar School Friends of Hockey	60

Organisation details	Total paid
Camberwell Grammar Friends of Kayaking	5
Camberwell Hockey Club	4,020
Camberwell Lacrosse	1,505
Camberwell Magpies Cricket Club	20
Camberwell Sharks Jnr Football Club	55,280 *
Camberwell United Tennis Club	10,015 *
CamCare	5
Canterbury Cougars Basketball Club	20
Canterbury Council of Churches	500
Canterbury Cricket Club	3,270
Canterbury Football Club	3,000
Canterbury Junior Chess Club Inc.	2,015
Canterbury Junior Football Club	1,275
Canterbury Tennis Club	3,005
Canterbury Toy Library	15
Ceres Calisthenics Club Inc.	2,000
Chatham Primary School	400
Deepdene Bears Cricket Club	3,015
East Camberwell Tennis Club	270
East Malvern Golf Club	2,510
Eastern Football League	500
Eastern Cricket Association	5,000 *
Eastern Cricket Umpires Association	1,810
Fintona Girls School	400
First Scouts Group	1,301
Florence Road Pre School	505
Foundation Boroondara	15
Friends of Same Inc	15
Friends of Surrey Park	5
Glen Iris Cricket Club	35
Glen Iris Football Club	2,000
Glen Iris Primary School	115
Greythorn Tennis Club Inc	1,200

Sponsored organisations continued

Organisation details	Total paid
Hamilton Street Traders	3,000
Hartwell Uniting Cricket Club	1,000
Hawthorn Amateur Football Club	3,010
Hawthorn Basketball Association	115
Hawthorn Cricket Club	3,020
Hawthorn Magic Jnr Basketball	200
Highfield Rd Uniting Church Tennis Club	5
Inner Eastern Community Road Safety Council	2,000
Interchange Inner East	2,950
Maling Rd Traders Association	5,500
Melbourne Ballet Company	1,000
Mont Albert Cricket Club	15,070 *
Mont Albert Primary School	1,035
North Balwyn Cricket Club	3,020
North Balwyn Netball Club	10
North Balwyn Tennis Club	10,025 *
Northern Suburbs Fly Fishing Club	20
Old Camberwell Grammarians Football Club	3,000
Old Scotch Collegians	2,750
Old Scotch Cycling Club	10
Old Trinity Grammarians Amateur Football Club	3,000
Our Holy Redeemer Primary School	1,070
Pied Piper Toy Library	300
Power Neighbourhood House	1,010
Probus Club of canterbury	1,500
Riversdale Soccer Club	3,000
Rotary Club of Balwyn	2,310
Rotary Club of Canterbury	15
Rotary Club of Mont Albert & Surrey Hills	4,875
Rowan Street Kindergarten	1,200
Samarinda Lodge	10

Organisation details	Total paid
Scotch College Junior	120
STC South Camberwell Cricket Club	3,320
South Yarra Football Club	1,000
Spina Bifida Foundation Victoria Inc.	2,000
St Dominics Auskick	610
St Dunstons Anglican Church	10
St Kevins Old Collegians Cricket Club	1,025
St Michaels Parish School Parents and Friends	70
Strathcona Baptist Girls Grammar	1,005
Surrey Hills Cricket Club	3,270
Surrey Hills Neighbourhood Centre	1,420
Surrey Hills Primary School	1,050
Surrey Park Football Club	4,000
Surrey Park Lacrosse	290
Surrey Park Swimming Club	5,400
Trinity Willison Cricket Club Inc	3,050
Victorian Dog Obedience Club	1,055
Whitehorse City Friends of Decussy Enclave	2,000
Wyclif Cricket Club Inc	5
Total	489,488

* Long term sponsorships.

Note 1: A Number of organisations received incentive payments from \$5 up to \$875 as a result of one or more of their members opening accounts with our branches.

Note 2: Amounts include GST where paid.

Directors' report

For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Director	Experience	Committee memberships
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 Director – non-executive	10 years experience in real estate & management.	Chair - Asset Management Member - Sponsorship Committee
Juliann Ruth Byron Director- non-executive Treasurer 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 Director- non-executive	Small business owner, business management & marketing.	Member - Marketing Committee Member - Governance Committee
Leigh Warren Smith Director – non-executive	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

Directors' report continued

Director	Experience	Committee memberships
Gordon Lennox McFarlane Director – non-executive 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 Director - non executive BA Graphic Design (Resigned 1 October 2009)	Advertising, design, marketing, corporate communications, education. Director of graphic design consultancy.	Chairman - Marketing Committee Member - Staff Committee
Michael Ronald Hills Director – non-executive Company Secretary 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 Director – non-executive 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 Director – non-executive 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 Director – non-executive 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.

Directors' report continued

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**[®] services under management rights to operate three franchised branches of Bendigo and Adelaide Bank Ltd 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)).

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.

Directors' report continued

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.

Director remuneration for the year ended 30 June 2010:

	Primary benefits salary & fees 2010 \$	Primary benefits 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.

Directors' report continued

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.

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(1)(c) of the Corporations Act, a copy of the Auditor's Declaration is contained on page 19.

Directors' report continued

Directors' meetings

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

Director	Board meetings #
Hans Diederick 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.

Directors' report continued

Additional information - listed entity (continued)

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

Number of shares held	Number of shareholders
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.

Shareholder	Number of shares	Percentage of capital
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%
	421,500	16.26%

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

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

Directors' report continued

Additional Information - Listed Entity (continued)

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.

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants



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

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

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	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		(594,202)	(554,519)
Profit before income tax expense		300,634	10,468
Income tax expense	4	83,043	11,359
Profit/(loss) after income tax expense		217,591	(891)
Other comprehensive income		-	-
Total comprehensive income		217,591	(891)
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.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	412,783	353,624
Receivables	7	585,416	326,663
Total current assets		998,199	680,287
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		468,720	542,555
Total assets		1,466,919	1,222,842
Current liabilities			
Payables	10	150,070	135,478
Current tax liability	11	22,424	-
Provisions	12	25,767	36,297
Total current liabilities		198,261	171,775
Total liabilities		198,261	171,775
Net assets		1,268,658	1,051,067
Equity			
Share capital	13	1,302,239	1,302,239
Accumulated losses	14	(33,581)	(251,172)
Total equity		1,268,658	1,051,067

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		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.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Note	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		-	406,748
Balance at end of year		1,302,239	1,302,239
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	-	-
Balance at end of year		(33,581)	(251,172)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Canterbury Surry 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 Bank®** services.

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

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

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

Notes to the financial statements continued

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

Income tax (continued)

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

Property, plant and equipment

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

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

Class of asset	Depreciation rate
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.

Notes to the financial statements continued

Note 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.

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.

Notes to the financial statements continued

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

Provisions (continued)

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 \$
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Note 2. Revenue from ordinary activities

Operating activities:

- services commissions	2,124,691	1,670,489
Total revenue from operating activities	2,124,691	1,670,489

Non-operating activities:

- interest received	16,867	21,127
- other revenue	-	-
Total revenue from non-operating activities	16,867	21,127
Total revenue from ordinary activities	2,141,558	1,691,616

Note 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
	946,377	841,932

Depreciation of non-current assets:

- plant and equipment	30,960	22,826
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Notes to the financial statements continued

	2010 \$	2009 \$
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Note 3. Expenses (continued)

Amortisation of non-current assets:

- intangibles	45,922	41,887
	76,882	64,713
Bad debts	645	523

Note 4. Income tax expense

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
Current income tax expense	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

Note 5. Auditors' remuneration

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

- Audit or review of the financial report of the Company	3,900	3,650
- Valuation of the Company	-	1,000
- Share registry costs	6,075	-
	9,975	4,650

Note 6. Cash and cash equivalents

Cash at bank and on hand	412,783	353,624
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Notes to the financial statements continued

	2010 \$	2009 \$
Note 7. Receivables		
Accrued income	226,528	188,216
Deposits	24,321	24,321
Prepayments	334,567	114,126
	585,416	326,663

Note 8. Property, plant and equipment

Plant and equipment

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

Plant and equipment

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

Note 9. Intangible assets

Franchise fee

At cost	224,810	224,810
Less accumulated amortisation	(152,092)	(127,130)
	72,718	97,680

Preliminary expenses

At cost	215,536	215,536
Less accumulated amortisation	(144,481)	(123,521)
	71,055	92,015
	143,773	189,695

Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Payables		
PAYG withholding	15,322	16,464
Other creditors and accruals	134,748	119,014
	150,070	135,478

Note 11. Current tax liabilities

Current tax payable	22,424	-
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Note 12. Provisions

Employee benefits	25,767	36,297
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Note 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
	1,302,239	1,302,239

- 1,092,062 shares were issued on 3 October 2008 as a bonus at the ratio of 1:1.

Movement in ordinary shares

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	1,302,239	1,302,239

Note 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	(33,581)	(251,172)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash at bank and on hand	412,783	353,624
(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 cash flows provided from operating activities	84,733	21,603

Note 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)

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

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).

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 benefits salary & fees 2010 \$	Primary benefits 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)	-	-

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

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.

Note 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.

Note 18. Contingent liabilities

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

Note 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.

Notes to the financial statements continued

Note 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	Principal place of business
143 Maling Road, Canterbury VIC 3126	Surrey Hills Community Bank ® Branch 107 Union Road, Surrey Hills VIC 3127 Canterbury Community Bank ® Branch 143 Maling Road, Canterbury VIC 3126 Ashburton Community Bank ® Branch 241 High Street, Ashburton VIC 3147

Note 21. Dividends paid or proposed for on ordinary shares

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

	2010 \$	2009 \$
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Note 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	217,591	(891)
Weighted average number of ordinary shares for basic and diluted earnings per share	2,590,872	2,103,263

Notes to the financial statements continued

Note 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:

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

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.

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

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

	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)	-	-
	150,070	(150,070)	(150,070)	-	-
30 June 2009					
Payables	135,478	(135,478)	(135,478)	-	-
	135,478	(135,478)	(135,478)	-	-

(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	-	-
	311,250	211,250
Variable rate instruments		
Financial assets	101,533	142,374
Financial liabilities	-	-
	101,533	142,374

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(d) Net fair values

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

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

There were no changes in the Company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of 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.

Independent audit report

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.

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Independent audit report continued

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



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