Community Financial Services Victoria Limited

Financial Statements

as at

30 June 2010

Community Financial Services Victoria Limited
ABN 51 092 756 351
Directors' Report

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

Directors

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

Michael John Duff
Chairman
Age: 46
Occupation: Owner Operator/Company Director
Experience and expertise:
- Past KooWeeRup CFA Captain
Special responsibilities:
- Chairman of the Board
Interests in shares: 30,000 Ordinary Shares

Tania Lyn Hansen
Executive Officer
Age: 40
Occupation: Executive Officer/Company Secretary
Experience and expertise:
- GAICD
- Former Secretary of Lang Lang Town Committee
Special responsibilities:
- All Sub Committees
Interests in shares: 500 Ordinary Shares

Douglas Hugh Hamilton
Director
Age: 73
Occupation: Grazier
Experience and expertise:
- Former Councillor Cardinia Shire
- Inaugural Vice Chairman CFSV Ltd
Special responsibilities:
- Audit, Governance & Shareholder Liaison Sub Committee
- Human Resources Sub Committee
Interests in shares: 8,600 Ordinary Shares

Glenister Malcolm McGregor
Director
Age: 69
Occupation: Semi Retired Grazier
Experience and expertise:
- Chairman of Lang Lang Township Committee
- Chairman Lang Lang Community Medical Centre
Special responsibilities:
- Audit, Governance & Shareholder Liaison Sub Committee
Interests in shares: 56,000 Ordinary Shares

Ronald James Witney
Director
Age: 51
Occupation: Pharmacist
Experience and expertise:
- 16 years Pharmacist in Pearcedale
Special responsibilities:
- Finance & Budget Sub Committee
Interests in shares: 17,200 Ordinary Shares

Gordon Douglas Smale
Vice Chairman
Age: 45
Occupation: Maufacturing Manager
Experience and expertise:
- Manager of Electrical Engineering Company
- President Pearcedale Tennis Club
- President Pearcedale Recreation Reserve
Special responsibilities:
- Business Growth Sub Committee
- Finance & Budget Sub Committee
Interests in shares: Nil Ordinary Shares

Maxwell William Papley
Director
Age: 70
Occupation: Retail Rural Merchandise Proprietor
Experience and expertise:
- Inaugural Chairman CFSV Ltd
Special responsibilities:
- Business Growth Sub Committee
- Human Resources Sub Committee
Interests in shares: 30,250 Ordinary Shares

Maxwell Arthur John Kneebone
Director
Age: 73
Occupation: Grazier
Experience and expertise:
- Member of Rotary Club of KooWeeRup/Lang Lang
Special responsibilities:
- Asset Management Sub Committee
- Grants & Sponsorship Sub Committee
Interests in shares: 52,500 Ordinary Shares

John Munro Lyle
Director
Age: 59
Occupation: Self Employed Retail Proprietor
Experience and expertise:
- Finance and Banking Background
Special responsibilities:
- Finance & Budget Sub Committee
Interests in shares: 15,850 Ordinary Shares

Meint Peter (Rudy) de Jong
Director
Age: 63
Occupation: Company Director
Experience and expertise:
- Extensive Business Background
- Past President Rotary Club of Koo Wee Rup/Lang Lang
Special responsibilites
- Asset Management Sub Committee
Interests in shares: 3,675 ordinary Shares

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

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

Company Secretary

The company secretary is Tania Hansen. Tania was appointed to the position of Secretary on 16 September 2003. She holds a Bachelor Degree in Linguists and a Bachelor Degree in Behavioural Science. Previously Tania held the position of Treasurer and has a history in the banking sector. She has gained experience whilst involved at committee level on several local community committees. During 2010 Tania completed the Australian Institute of Company Directors (AICD) Company Directors Course. The course covers all aspects of a Director's role within the Australian context.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2010	Year ended 30 June 2009
$	$
286,126	293,311

Remuneration Report

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Managers and all the staff. The Senior Manager resigned in October 2009. The Board did not appoint a replacement.

The Branch Managers do not particpate in decision making that affects the whole or a substantial part of the business, nor do they have the capacity to affect significantly the Company's financial standing. On a rotational basis and by invitation, the Branch Managers attend Board meetings to provide Directors with an overview of their Branch's performance.

During the 2010 financial year, Max Papley resigned as Chairman and Michael Duff was subsequently appointed to the position. Max Papley invoiced the company for $10,000 for sevices performed as Non Executive Chairman. Max was paid a total of $12,000 (2009: $12,000) which included $2,000 for Director remuneration. Michael Duff received no payment for services performed as Non Executive Chairman. Michael received $2,000 for Director remuneration.

During the 2010 financial year the Board continued to pay Tania Hansen $45,000 (plus 9% SGC) for services performed in a role as 'Executive Officer', including, but not limited to, community and public relations, corporate affairs administration, accounts liaison and other Company Secretarial duties. During the 2010 financial year Tania was paid $44,649 (2009: $32,391) which included $2,000 for Director Remuneration and use of a company car.

Directors Fees

For the year ended 30 June 2010, the directors received total remuneration, as follows:

	$
Michael John Duff	2,000
Gordon Douglas Smale	2,000
Tania Lyn Hansen	2,000
Maxwell William Papley	2,000
Douglas Hugh Hamilton	2,000
Maxwell Arthur John Kneebone	2,000
Glenister Malcolm McGregor	2,000
John Munro Lyle	2,000
Ronald James Witney	2,000
Meint Peter (Rudy) de Jong	2,000

Community Financial Services Victoria Limited
ABN 51 092 756 351
Directors' Report

Dividends	Year Ended 30 June 2010 Cents	$
Final dividends recommended:	17.50	128,166
Dividends paid in the year:		
- As recommended in the prior year report	17.50	128,166

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

	Board Meetings Attended		Committee Meetings Attended: Audit & Governance		Business Growth		Human Resources		Asset		Finance & Budget	
	A	B	A	B	A	B	A	B	A	B	A	B
Michael John Duff	12	11	1	0	1	1	2	2	2	1	1	0
Gordon Douglas Smale	12	11	1	0	1	0	2	2	2	0	1	1
Tania Lyn Hansen	12	12	1	1	1	1	2	2	2	2	1	1
Maxwell William Papley	12	9	1	0	1	1	2	1	2	2	1	0
Douglas Hugh Hamilton	12	10	1	1	1	0	2	0	2	0	1	0
Maxwell Arthur John Kneebone	12	8	1	0	1	1	2	0	2	2	1	0
Glenister Malcolm McGregor	12	11	1	1	1	0	2	0	2	0	1	0
John Munro Lyle	12	7	1	0	1	0	2	1	2	0	1	1
Ronald James Witney	12	7	1	0	1	0	2	0	2	0	1	0
Meint Peter (Rudy) de Jong	12	11	1	0	1	0	2	0	2	0	1	0

A - Eligible to attend
B - Number attended

Non Audit Services

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

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

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the board of directors at Lang Lang on 10th September 2010.

Michael John Duff
Chairman

Tania Lyn Hansen
Executive Officer

partners in success
Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Community Financial Services Victoria Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 10th day of September 2010

Community Financial Services Victoria Limited
ABN 51 092 756 351
Statement of Comprehensive Income
for the Year Ended 30 June 2010

	Notes	2010 $	2009 $
Revenues from ordinary activities	4	3,035,327	2,655,777
Employee benefits expense		(1,369,200)	(1,213,596)
Charitable donations, sponsorship, advertising and promotion		(393,120)	(363,357)
Occupancy and associated costs		(239,057)	(153,434)
Systems costs		(130,917)	(110,202)
Depreciation and amortisation expense	5	(108,945)	(58,951)
General administration expenses		(376,461)	(336,118)
Profit before income tax expense		**417,627**	**420,119**
Income tax expense	6	(131,501)	(126,808)
Profit after income tax expense		286,126	293,311
Total comprehensive income for the year		**286,126**	**293,311**
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	39.07	40.05
- dividends paid per share	21	17.5	17.5

The accompanying notes form part of these financial statements

Community Financial Services Victoria Limited
ABN 51 092 756 351
Balance Sheet
as at 30 June 2010

	Notes	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	434,504	299,290
Trade and other receivables	8	292,751	261,013
Current tax assets	12	990	-
Total Current Assets		**728,245**	**560,303**
Non-Current Assets			
Property, plant and equipment	9	453,102	483,722
Financial assets	10	50,000	-
Intangible assets	11	323,360	355,361
Deferred tax assets	12	26,814	27,164
Total Non-Current Assets		**853,276**	**866,247**
Total Assets		**1,581,521**	**1,426,550**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	190,656	106,836
Current tax liabilities	12	-	83,880
Provisions	14	76,989	69,638
Total Current Liabilities		267,645	260,354
Non-Current Liabilities			
Provisions	14	27,417	37,697
Total Non-Current Liabilities		27,417	37,697
Total Liabilities		295,062	298,051
Net Assets		1,286,459	1,128,499
Equity			
Issued capital	15	607,871	607,871
Retained earnings	16	678,588	520,628
Total Equity		1,286,459	1,128,499

The accompanying notes form part of these financial statements

Community Financial Services Victoria Limited
ABN 51 092 756 351
Statement of Changes in Equity
for the Year Ended 30 June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	607,871	355,483	963,354
Total comprehensive income for the year	-	293,311	293,311
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(128,166)	(128,166)
Balance at 30 June 2009	607,871	520,628	1,128,499
Balance at 1 July 2009	607,871	520,628	1,128,499
Total comprehensive income for the year	-	286,126	286,126
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(128,166)	(128,166)
Balance at 30 June 2010	607,871	678,588	1,286,459

The accompanying notes form part of these financial statements

Community Financial Services Victoria Limited
ABN 51 092 756 351
Statement of Cashflows
for the Year Ended 30 June 2010

	Notes	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		3,324,029	2,829,370
Payments to suppliers and employees		(2,731,243)	(2,438,524)
Interest received		9,093	25,906
Income taxes paid		(216,020)	(143,294)
Net cash provided by operating activities	17	385,859	273,458
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(47,479)	(165,831)
Payments for intangible assets		-	(140,000)
Payments for investments		(75,000)	-
Net cash used in investing activities		(122,479)	(305,831)
Cash Flows From Financing Activities			
Dividends paid		(128,166)	(128,166)
Net cash used in financing activities		(128,166)	(128,166)
Net increase/(decrease) in cash held		135,214	(160,539)
Cash and cash equivalents at the beginning of the financial year		299,290	459,829
Cash and cash equivalents at the end of the financial year	7(a)	434,504	299,290

The accompanying notes form part of these financial statements

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

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

Historical cost convention

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

Comparative figures

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

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

<u>Economic dependency - Bendigo and Adelaide Bank Limited</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branches at Lang Lang, Pearcedale, Narre Warren South, Koo Wee Rup and Tooradin.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Note 1. Summary of Significant Accounting Policies (continued)

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

h) Intangibles

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

i) Payment Terms

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

j) Borrowings

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

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

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

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

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

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

Note 1. Summary of Significant Accounting Policies (continued)

n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

Note 2. Financial Risk Management (continued)

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

(i) the distribution limit is the greater of:
- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

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

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

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

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

Note 4. Revenue from Ordinary Activities

		2010 $	2009 $
Operating activities:			
- services commissions		3,024,537	2,631,870
- other revenue			-
Total revenue from operating activities		3,024,537	2,631,870
Non-operating activities:			
- interest received		10,790	23,907
Total revenue from non-operating activities		10,790	23,907
Total revenues from ordinary activities		3,035,327	2,655,777

Note 5. Expenses

		2010 $	2009 $
Depreciation of non-current assets:			
- plant and equipment		69,079	34,298
- leasehold improvements		7,866	5,078
Amortisation of non-current assets:			
- franchise agreement		32,000	19,575
		108,945	58,951
Bad debts		5,096	3,495
Loss on disposal of non-current assets		1,154	-

Note 6. Income Tax Expense

		2010 $	2009 $
The components of tax expense comprise:			
- Current tax		133,880	133,373
- Movement in deferred tax		350	(6,565)
- Over provision for income tax in prior year		(2,729)	-
		131,501	126,808

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

		2010 $	2009 $
Operating profit		417,627	420,119
Prima facie tax on profit from ordinary activities at 30%		125,288	126,036
Add tax effect of:			
- non-deductible expenses		9,600	5,954
- timing difference expenses		(350)	6,565
- investment deduction		(658)	(5,182)
		133,880	133,373
Movement in deferred tax	12	350	(6,565)
Over provision for income tax in prior year		(2,729)	-
		131,501	126,808

Note 7. Cash and Cash Equivalents	2010 $	2009 $
Cash at bank and on hand	134,647	57,711
Term deposits	299,857	241,579
	434,504	299,290

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of Cash

Cash at bank and on hand	134,647	57,711
Term deposits	299,857	241,579
	434,504	299,290

Note 8. Trade and Other Receivables

Trade receivables	244,172	237,524
Other receivables & accruals	25,000	-
Prepayments	23,579	23,489
	292,751	261,013

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	693,221	655,364
Less accumulated depreciation	(263,716)	(203,104)
	429,505	452,260
Motor vehicles		
At cost	33,751	33,751
Less accumulated depreciation	(10,154)	(2,289)
	23,597	31,462
Total written down amount	453,102	483,722

Movements in carrying amounts:

Plant and equipment		
Carrying amount at beginning	452,260	281,679
Additions	47,479	204,879
Disposals	(1,154)	-
Less: depreciation expense	(69,080)	(34,298)
Carrying amount at end	429,505	452,260
Motor vehicle		
Carrying amount at beginning	31,462	20,410
Additions	-	33,751
Disposals	-	(16,126)
Less: depreciation expense	(7,865)	(6,573)
Carrying amount at end	23,597	31,462
Total written down amount	453,102	483,722

Note 10. Financial Assets	2010 $	2009 $
Available-for-sale financial assets		
Unlisted investments at cost		
- Application for shares in Mt Eliza Community Enterprise Limited	50,000	-

As at balance date the share offer relating to Mt Eliza Community Enterprise Limited remained open. As a result no shares in the company have been issued to Community Financial Services Victoria Limited at this stage.

Note 11. Intangible Assets

	2010 $	2009 $
Franchise fee		
At cost	110,000	110,000
Less: accumulated amortisation	(85,480)	(75,480)
	24,520	34,520
Renewal processing fee		
At cost	110,000	110,000
Less: accumulated amortisation	(29,668)	(7,667)
	80,332	102,333
Goodwill		
At cost	218,508	218,508
Total written down amount	323,360	355,361

Note 12. Tax

	2010 $	2009 $
Current:		
Income tax payable/(refundable)	(990)	83,880
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	31,322	32,201
	31,322	32,201
Deferred tax liability		
- accruals	1,466	956
- deductible prepayments	3,042	4,081
	4,508	5,037
Net deferred tax asset	26,814	27,164
Movement in deferred tax charged to statement of comprehensive income	350	(6,565)

Note 13. Trade and Other Payables

	2010 $	2009 $
Trade creditors	131,616	84,546
Other creditors & accruals	59,040	22,290
	190,656	106,836

Note 14. Provisions

Current:

	2010 $	2009 $
Provision for annual leave	51,101	56,506
Provision for long service leave	25,888	13,132
	76,989	69,638

Non-Current:

	2010 $	2009 $
Provision for long service leave	27,417	37,697
Number of employees at year end	17	20

Note 15. Contributed Equity

	2010 $	2009 $
732,375 Ordinary shares fully paid (2009: 732,375)	732,375	732,375
Less: equity raising expenses	(124,504)	(124,504)
	607,871	607,871

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 209. As at the date of this report, the company had 230 shareholders.

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

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

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Retained Earnings

	2010 $	2009 $
Balance at the beginning of the financial year	520,628	355,483
Net profit from ordinary activities after income tax	286,126	293,311
Dividends paid or provided for	(128,166)	(128,166)
Balance at the end of the financial year	678,588	520,628

Note 17. Statement of Cashflows

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

	2010 $	2009 $
Profit from ordinary activities after income tax	286,126	293,311
Non cash items:		
- depreciation	76,945	39,376
- amortisation	32,000	19,575
- loss on sale of fixed assets	1,154	11,253
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(6,737)	(55,581)
- (increase)/decrease in other assets	350	(6,565)
- increase/(decrease) in payables	83,820	(57,468)
-increase/(decrease) in provisions	(2,929)	29,557
-increase/(decrease) in current tax liabilities	(84,870)	-
Net cashflows provided by operating activities	385,859	273,458

Note 18. Leases

	2010 $	2009 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	141,962	156,769
- between 12 months and 5 years	236,150	378,112
- greater than 5 years	-	-
	378,112	534,881

The company holds various premises leases for each of the branch locations. The leases generally have a five-year term, with options for additional five year terms. Rent is payable on a monthly basis.

Note 19. Auditors' Remuneration

	2010 $	2009 $
Amounts received or due and receivable by the auditor of the company for:		
- audit & review services	4,500	4,500
- share registry services	2,422	-
- non audit services	1,610	1,875
	8,532	6,375

Note 20. Director and Related Party Disclosures

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

Michael John Duff

Gordon Douglas Smale

Tania Lyn Hansen

Maxwell William Papley

Douglas Hugh Hamilton

Maxwell Arthur John Kneebone

Glenister Malcolm McGregor

John Munro Lyle

Ronald James Witney

Meint Peter (Rudy) de Jong

Except for Max Kneebone, no director or related entity has entered into a material contract with the company. Directors' fees have been paid as disclosed in the Directors' report.

During the 2010 financial year Community Financial Services Victoria Limited made payments of $77,250.63 (2009: $62,742.21) to Maxwell Kneebone for rental of the branch premises at Lang Lang and Koo Wee Rup. The terms and conditions of the rental arrangements are on a commercial basis.

During the normal course of business operations, Community Financial Services Victoria Limited utilised services offered by local community business. Some of these transactions included businesses which some Directors have direct or indirect interest. These transactions are considered to be made at an arms length basis and are on normal commercial terms.

Note 20. Director and Related Party Disclosures (continued)

During the 2010 financial year Community Financial Services Victoria Limited made payments to Larmax Trading of $660.43 (2009: $300.00). Director Max Papley is the owner of Larmax Trading. The purchase was made on normal commercial terms.

During the 2010 financial year Community Financial Services Victoria Limited made payments to John Duff & Co of $3,997.17 (2009: $3,529.00) for the purchase of a motor vehicle fuel. Director Michael Duff is the owner of John Duff & Co. The purchases were made on normal commercial terms.

During the 2010 financial year Community Financial Services Victoria Limited made payments to Pearcedale Village Supermarket of $827.60 (2009: $995.00) for the purchase of a minor supplies during the year. Director John Lyle is the owner of Pearcedale Village Supermarket. The purchases were made on normal commercial terms.

During the 2010 financial year Community Financial Services Victoria Limited made a payment of $10,000 to Maxwell Kneebone for his role as Project Manager of the fitout of the Tooradin & Coastal Villages branch.

Directors Shareholdings	**2010**	**2009**
Michael John Duff	30,000	30,000
Gordon Douglas Smale	-	-
Tania Lyn Hansen	500	500
Maxwell William Papley	30,250	30,250
Douglas Hugh Hamilton	8,600	9,100
Maxwell Arthur John Kneebone	52,500	52,500
Glenister Malcolm McGregor	56,000	56,000
John Munro Lyle	15,850	15,850
Ronald James Witney	17,200	17,200
Meint Peter (Rudy) de Jong	3,675	3,675

There was no movement in directors shareholdings during the year.
Related party interest is no longer applicable to 500 shares previously attributed to Douglas Hamilton.

Note 21. Dividends Paid or Provided

	2010	**2009**
	$	**$**
a. Dividends paid during the year		
Dividend for the year ended 30 June 2009 of 17.5 cents (2008: 17.5 cents) per fully paid share paid on 12 December 2009 (2008: 12 December 2008)	128,166	128,166
b. Dividends proposed and not recognised as a liability		
Current year final dividend 100% (2009: 100%) franked dividend - 17.5 cents (2009: 17.5 cents) per share	128,166	128,166

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

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

	2010 $	2009 $
Note 21. Dividends Paid or Provided (continued)		
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	366,725	205,183
- franking credits/(debits) that will arise from income tax payable/(refundable) as at the end of the financial year	(990)	81,151
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	365,735	286,334
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	(54,928)	(54,928)
Net franking credits available	310,807	231,406

Note 22. Earnings Per Share

	2010	2009
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	286,126	293,311
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	732,375	732,375

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
29 Westernport Road	29 Westernport Road
Lang Lang VIC 3984	Lang Lang VIC 3984

26. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo & Adelade Bank Limited. The economic entity operates in one geographic area being Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South, Tooradin and their surrounding districts of Victoria.

	Total Revenue		Profit from ordinary activities after income tax		Net Assets	
	2010	2009	2010	2009	2010	2009
Geographic Segments	$	$	$	$	$	$
Lang Lang	742,523	668,091	31,077	21,126	326,750	313,075
Pearcedale	790,941	732,442	216,605	133,799	229,683	184,361
Koo Wee Rup	624,426	569,799	146,735	99,382	72,004	36,867
Narre Warren South	688,869	673,775	79,322	110,520	147,632	149,996
Tooradin	188,569	11,671	(187,613)	(71,516)	167,999	151,604
Unallocated	-	-	-	-	342,391	292,596
Total	3,035,328	2,655,778	286,126	293,311	1,286,459	1,128,499

Note 27. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Fixed interest rate maturing in: Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	134,647	57,711	299,857	241,579	-	-	-	-	-	-	2.31	4.11
Receivables	-	-	-	-	-	-	-	-	292,751	261,013	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	190,656	106,836	N/A	N/A

Community Financial Services Victoria Limited
ABN 51 092 756 351
Directors' Declaration

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

In the opinion of the directors:

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

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

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

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

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

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

Michael John Duff, Chairman	**Tania Lyn Hansen, Executive Officer**

Signed on the 10th of September 2010.

AFS
partners in success
Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Community Financial Services Victoria Limited

We have audited the accompanying financial report of Community Financial Services Victoria Limited, which comprises the balance sheet as at 30 June 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Community Financial Services Victoria Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Community Financial Services Victoria Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 10th day of September 2010