

annual report 2010



Broadwater

Financial Services Limited

ABN 29 095 850 463

Biggera Waters **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2010

The 2010 financial year for Broadwater Financial Services Limited was a very busy and successful year with Biggera Waters **Community Bank**[®] Branch achieving great results and Helensvale **Community Bank**[®] Project moving into the Prospectus stage. Revenue for the year rose 7% to \$632,522 which was offset by a 6.5% rise in employee benefits, however the Company still recorded a Net Profit before Income Tax of \$53,522 which was an 82% increase over the 2009 result. Our cash position remains sound.

Our Biggera Waters **Community Bank**[®] Branch had another very successful year and proved once again to be one of the best performing branches in the **Community Bank**[®] network on the Gold Coast, winning "Branch of the Month" award on two occasions and earning second place in the Branch of the Year award. The branch team are to be congratulated for this excellent performance and the Directors are regularly advised by customers that they are the friendliest team on the Gold Coast. Mark Vigus, our Manager, continues to lead the team well and is constantly striving to improve the business growth of the branch.

The Helensvale **Community Bank**[®] Project has proven to be a longer and more difficult exercise than we reported at this time last year. Towards the end of 2009 the owner of the Helensvale Plaza Shopping Centre granted a lease to another party on the premises that had been previously promised to our Company. This resulted in our company having to negotiate with the Shopping Centre to find another suitable site to locate our proposed branch. This new site, Shop 6A, was only finalised in June this year and has subsequently pushed the timetable for opening the new Branch further back than we initially planned. As you would know, we have now launched the Prospectus for the capital raise required to open the branch and to date the take up has been disappointing. Realistically opening will be delayed until our capital raise target of \$425,000 has been reached, hopefully early in 2011.

Your Directors remain focused on continuing to build the business and provide a return on the investment that you have made in Broadwater Financial Services Limited. As you are aware a decision was made in May 2010 to issue bonus shares in the Company at a ratio of one for every three held previously. This helped facilitate the issue of new shares in the Company at \$1.00 per share and at the same time reward existing shareholders for their support over eight years and not disadvantage them with the issue of new shares after the successful capital raising. The Company has made a reasonable Net Profit after Income Tax and I am pleased to announce that the Directors have approved a Dividend of 3.75 cents per share, fully franked, which will be paid on 20 December 2010. While this rate is lower than previous years the cash amount to be paid is identical to last year due to the extra shares now on issue following the bonus issue. (Refer table below)

Financial Year	Cents per Share	No. of Shares	Total Distribution
2006/2007	5 Cents	444,025	22,201
2007/2008	7 Cents	444,025	31,082
2008/2009	8 Cents	444,025	35,522
2009/2010	5 Cents	444,025	22,201
2010/2011	3.75 Cents	592,038	22,201

Chairman's report continued

This year the Company has continued its support for the local community and expended in excess of \$20,000 in the Biggera Waters, Arundel and Helensvale communities. This money was spent across a variety of areas including local schools, aged care, sporting clubs and community businesses. During the coming years we will continue to support the local community and we are currently planning a community forum for the local areas where we invite community groups to attend a forum to gauge the needs of the community and how we might be able to assist.

From a Board perspective we have had a stable year with all Directors contributing to meetings and community activities. During the year we formed an executive committee made up of three Directors who meet weekly to review the Company and branch performance for the week and ensure that all pressing matters are dealt with in a timely manner. At times the difficulties experienced on the Helensvale Project tested the Board's patience, resolve and temperament but as a team we have remained committed to a satisfactory outcome. We continued our "Junior Observer Program" in our monthly Board meetings and our sole year 11 student, Ellen Hachem, from A B Patterson College at Arundel will be giving a report of her experience to the Annual General Meeting in November. I would like to thank our personal assistant to the Board, Mrs Maris Dirx, for another outstanding effort during the year, particularly in organising and managing the huge workload for the Helensvale **Community Bank**[®] Project, and generally assisting the Board in all administrative matters.

Finally I wish to thank all our customers, community organisations and local business owners for their support during the year. I would also like to extend my gratitude, appreciation and thanks to my fellow Directors who provide their time and effort for little or no reward. This year in particular has been a large drain on our time due to the long process involved with the Helensvale Project and I believe that in the future there will have to be some remuneration paid to Directors for their efforts in growing the business.

In closing, I again thank all shareholders for their continued support and look forward to the opportunity of guiding the Company to greater growth, profitability and community involvement with our strong team of Directors and staff.



Robert J Knight
Chairman

Manager's report

For year ending 30 June 2010

With the conclusion of the 2009/2010 financial year we find that our branch is sitting in a very sound position. We are seeing increased profits, stability in our staffing and most of all we are contributing significantly to the development of our community.

In a testing year for all, our branch was able to still build our business in many areas such as lending and insurance being our major contributors. Our branch was the second best performing branch in the Gold Coast region earning second place in the Branch of the Year award. This is great recognition for the hard work we all have put in over the past twelve months.

Our year in review shows that total footings have increased to \$56.8 million at year end. This means total growth for the financial year of \$1.2 million, with total lending growth at \$3.7 million contributing the major part to this result. Deposit monies were very competitive throughout the financial year. We found it hard to hold on to existing money due to the aggressive rates from our competitors and found it even more difficult to acquire new funds.

Our focus as a team in the coming year will be continuing to grow our business, through an increase in customer numbers and deepening our existing customer relationships. We will continually strive to exceed all expectations and feel this will be done due to our belief in each other and belief in our bank, which is why our branch is in such good shape for future growth.

We now have one new addition to our team, Megan Shields, who has been employed as a full time Customer Service Officer. Megan has a finance background and has been a great addition to our team. Our current staff includes Marissa Uchino as our Customer Service Supervisor and our existing three Customer Service Officers Caren Hilton, Leonie Campbell and Rhys Young. So please feel free at any stage to come in and say hello to our friendly staff here at Biggera Waters **Community Bank**[®] Branch and find out what other projects we have in the pipeline to enhance your community.

And remember, every dollar of business that you as a shareholder contribute first hand or through referral will help to enhance our community and add value to your shares.

In concluding I would once again like to personally thank my staff, our shareholders, customers and board of directors for your continued support and I look forward to what the future holds for us all.



Mark Vigus

Branch Manager

Biggera Waters Community Bank[®]

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their 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:

Robert J Knight

Chairman

Real Estate Licensee & Business Broker

Experience and expertise:

Former Chartered Accountant

Former Financial Controller & Company Secretary

Resident of Northern Gold Coast for 28 years

Ian L Hamilton

Secretary

Business Manager

Experience and expertise:

Manager of Anglican Parish - Gold Coast North

Former Manager Biggera Waters Community Bank

Resident of Northern Gold Coast for 21 years

Stephen M O'Donoghue

Director

Pharmacist

Experience and expertise:

Local Pharmacist

Resident of Northern Gold Coast for 20 years

Leo S Beutel

Director

Retired Area Manager

Experience and expertise:

Retired Area Manager Hardy Wine Company

Former Boxing Host & Announcer

Resident of Northern Gold Coast for 25 years

Patricia M Bowden

Director

Business Owner & Director

Experience and expertise:

Owner Shade Sail Business and Airstrip

Aged Care & Qld Cancer Fund volunteer

Resident of Northern Gold Coast for 27 years

Trevor N Jones

Director

Real Estate Sales Manager

Experience and expertise:

Former Finance Broker & Business Owner

Resident of Gold Coast for 24 years

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

Ian Hamilton was appointed Company Secretary as of 30 January 2008 and his experience includes being a Business Manager and former Bank Manager.

Principal activities

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

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

Directors' report continued

Operating results

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

Year ended 30 June 2010	Year ended 30 June 2009
\$ 36,866	\$ 29,794

Dividends	Year ended 30 June 2010	
	Cents per share	\$
Dividends paid in the year:		
- franked dividend	5	22,201

Remuneration report

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

During the 2010 financial year Robert Knight was not paid for his role as Executive Chairman.

No other director of the Company receives any remuneration for services provided as Director to the Company.

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 report.

Likely developments

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

The Company issued a prospectus in July 2010 in light of opening a community bank branch in Helensvale.

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.

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. 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

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 Officers' 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.

Directors' meetings

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

Director	Board meetings #
Robert J Knight	10 (10)
Ian L Hamilton	10 (9)
Stephen M O'Donoghue	10 (7)
Leo S Beutel	10 (9)
Patricia M Bowden	10 (4)
Trevor N Jones	10 (8)

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

Corporate governance

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

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training;
- (c) Weekly Executive Committee meetings to review performance and action plans: and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Directors' report continued

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty Chartered Accountants



172 McIvor Road
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Broadwater Financial Services 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 of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
Bendigo
27 September 2010

Signed in accordance with a resolution of the Board of Directors at Biggera Waters, Queensland on 27 September 2010.

Robert J knight
Chairman

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	632,522	591,324
Employee benefits expense	3	(315,555)	(296,240)
Charitable donations and sponsorship		(18,065)	(16,638)
Depreciation and amortisation expense	3	(12,370)	(9,967)
Occupancy and associated costs		(93,457)	(93,831)
Systems costs		(25,759)	(27,339)
General administration expenses		(113,794)	(117,902)
Profit before income tax expense		53,522	29,407
Income tax expense/(benefit)	4	16,656	(387)
Profit after income tax expense		36,866	29,794
Other comprehensive income		-	-
Total comprehensive income		36,866	29,794
Earnings per share (cents per share)			
- basic for profit for the year	21	8.21	6.71
- diluted for profit for the year	21	8.21	6.71

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	5	150,878	150,081
Receivables	6	44,953	46,328
Total current assets		195,831	196,409
Non-current assets			
Property, plant and equipment	7	140,330	150,700
Deferred tax assets	4	1,969	-
Intangibles	8	2,667	4,667
Total non-current assets		144,966	155,367
Total assets		340,797	351,776
Current liabilities			
Payables	9	9,730	16,451
Deferred income tax liability	4	-	1,202
Current tax liability	4	14,202	7,055
Provisions	10	6,779	5,134
Total current liabilities		30,711	29,842
Total liabilities		30,711	29,842
Net assets		310,086	321,934
Equity			
Share capital	11	368,842	395,355
Accumulated losses	12	(58,756)	(73,421)
Total equity		310,086	321,934

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		691,230	630,620
Cash payments in the course of operations		(634,478)	(614,576)
Interest received		5,439	11,603
Income tax paid		(12,680)	(18,657)
Net cash flows from operating activities	13(b)	49,511	8,990
Cash flows from investing activities			
Payments for property, plant and equipment		-	(17,464)
Net cash flows used in investing activities		-	(17,464)
Cash flows from financing activities			
Dividends paid		(22,201)	(35,522)
Payments for share issue costs		(26,513)	(11,503)
Net cash flows used in financing activities		(48,714)	(47,025)
Net increase/(decrease) in cash held		797	(55,499)
Cash and cash equivalents at start of year		150,081	205,580
Cash and cash equivalents at end of year	13(a)	150,878	150,081

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			
Ordinary shares			
Balance at start of year		395,355	406,858
Issue of share capital		-	-
Share issue costs		(26,513)	(11,503)
Balance at end of year		368,842	395,355
Retained earnings / (accumulated losses)			
Balance at start of year		(73,421)	(67,693)
Profit after income tax expense		36,866	29,794
Dividends paid or provided for	20	(22,201)	(35,522)
Balance at end of year		(58,756)	(73,421)

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

Broadwater 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 27 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.

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

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

Class of asset	Depreciation rate
Leasehold improvements	2.5 - 20%
Plant & equipment	5 - 40%

Impairment

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

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

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

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.

Notes to the financial statements continued

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

Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Employee benefits

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

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

Intangibles

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

Cash

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

For the purposes of the cash flow statement, 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).

Notes to the financial statements continued

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

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.

Provisions

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

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

Loans and borrowings

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

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010	2009
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	627,725	581,569
Total revenue from operating activities	627,725	581,569

Non-operating activities:

- interest received	4,797	9,755
Total revenue from non-operating activities	4,797	9,755
Total revenue from ordinary activities	632,522	591,324

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	242,313	224,734
- superannuation costs	21,752	20,710
- workers' compensation costs	1,159	717
- other costs	50,331	50,079
	315,555	296,240
Depreciation of non-current assets:		
- leasehold improvements	7,912	4,739
- plant and equipment	2,458	3,228
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	12,370	9,967
Bad debts	9,545	3,772

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%	16,056	8,822
Add/(less) tax effect of:		
- non-deductible expenses	600	701
- timing differences	3,171	(1,329)
- investment allowance	-	(1,140)
- over provision of prior year tax	-	(8,770)
Current income tax expense	19,827	(1,716)
Movement in deferred tax	(3,171)	1,329
Income tax expense/(benefit)	16,656	(387)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 4. Income tax expense (continued)		
Deferred tax asset/(liability)		
- Opening Balance	(1,202)	127
Deferred tax on accruals	2,677	-
Deferred tax on provisions	494	(1,329)
- Closing Balance	1,969	(1,202)
Tax liabilities		
Current tax payable	14,202	7,055

Note 5. Cash and cash equivalents

Cash at bank and on hand	46,563	20,081
Term deposit	104,315	130,000
	150,878	150,081

Note 6. Receivables

Trade receivables	37,923	37,615
Prepayments	7,030	8,713
	44,953	46,328

Notes to the financial statements continued

	2010 \$	2009 \$
Note 7. Property, plant and equipment		
Leasehold improvements		
At cost	168,219	168,219
Less: accumulated depreciation	(36,829)	(28,917)
Total written down amount	131,390	139,302
Plant and equipment		
At cost	33,420	33,420
Less: accumulated depreciation	(24,480)	(22,022)
Total written down amount	8,940	11,398
	140,330	150,700
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning	139,302	126,577
Additions	-	17,464
Less: depreciation expense	(7,912)	(4,739)
Carrying amount at end	131,390	139,302
Plant and equipment		
Carrying amount at beginning	11,398	14,626
Less depreciation expense	(2,458)	(3,228)
Carrying amount at end	8,940	11,398
	140,330	150,700

Notes to the financial statements continued

	2010 \$	2009 \$
Note 8. Intangible assets		
Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(57,333)	(55,333)
	2,667	4,667

Note 9. Payables

Trade creditors	6,451	9,527
Accrued expenses	3,279	6,924
	9,730	16,451

Note 10. Provisions

Employee provisions	6,779	5,134
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Note 11. Share capital

592,038 Ordinary shares (2009: 444,025) *	444,025	444,025
Less equity raising costs (Biggera Waters)	(37,167)	(37,167)
Less equity raising costs (Helensvale)	(38,016)	(11,503)
	368,842	406,858

* A bonus share issue on a 1:3 basis (148,013 shares) was issued to all existing shareholders on 18 June 2010.

Note 12. Accumulated losses

Balance at the beginning of the financial year	(73,421)	(67,693)
Net profit after income tax	36,866	29,794
Dividends paid or provided for	(22,201)	(35,522)
Balance at the end of the financial year	58,756	(73,421)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 13. Statement of cash flows		
(a) Cash and cash equivalents		
Cash at bank and on hand	46,563	20,081
Term deposit	104,315	130,000
	150,878	150,081
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	36,866	29,794
Non cash items		
- amortisation	2,000	2,000
- depreciation	10,370	7,967
Changes in assets and liabilities		
- (Increase) decrease in receivables	1,375	(6,105)
- Increase (decrease) in payables	(6,721)	(9,342)
- Increase (decrease) in current tax payable	7,147	(20,373)
- Increase (decrease) in provisions	1,645	3,720
- Increase (decrease) in deferred income tax liability	(1,202)	1,202
- Increase (decrease) in deferred income tax asset	(1,969)	127
Net cash flows from operating activities	49,511	8,990

Note 14. Auditors' remuneration

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

- Audit or review of the financial report of the Company	3,900	3,650
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Notes to the financial statements continued

Note 15. Director and related party disclosures

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

Robert J Knight

Ian L Hamilton

Stephen M O'Donoghue

Leo S Beutel

Patricia M Bowden

Trevor N Jones

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	2010	2009
Robert J Knight	-	-
Ian L Hamilton	533	400
Stephen M O'Donoghue	40,000	30,000
Leo S Beutel	-	-
Patricia M Bowden	1,333	1,000
Trevor N Jones	-	-

Ian Hamilton, Stephen O'Donoghue and Patricia Bowden all received bonus shares at a rate of 1 for 3 during the year. There was no other movement in Directors' shareholdings during the year. Each share held has a value of \$1.

Note 16. Subsequent events

The Company issued a prospectus in July 2010 in light of opening a community bank branch in Helensvale.

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

Note 17. Contingent liabilities

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

Notes to the financial statements continued

Note 18. 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 Biggera Waters & district, Queensland.

Note 19. Corporate information

Broadwater Financial Services Limited is a Company limited by shares incorporated in Australia.

The registered office is: 33 Hollywell Road
Biggera Waters Queensland 4216

The principal place of business is: 33 Hollywell Road
Biggera Waters Queensland 4216

	2010	2009
	\$	\$

Note 20. Dividends paid or provided for on ordinary shares

(a) Dividends paid

Franked dividends - 5 cents per share (2009: 8 cents unfranked)	22,201	35,522
---	--------	--------

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:

- Franking account balance as at the end of the financial year	21,822	18,657
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	14,202	7,055
	36,024	25,712

Notes to the financial statements continued

	2010	2009
	\$	\$

Note 21. 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 after income tax expense	36,866	29,794
Weighted average number of ordinary shares for basic and diluted earnings per share	448,891	444,025

Note 22. 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 Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(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	150,878	150,081
Trade receivables	37,923	37,615
	188,801	187,696

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

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 Limited.

(b) Liquidity risk

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

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

Notes to the financial statements continued

Note 22. Financial risk management (continued)

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2010					
Payables	9,730	(9,730)	(9,730)	-	-
	9,730	(9,730)	(9,730)	-	-
30 June 2009					
Payables	16,451	(16,451)	(16,451)	-	-
	16,451	(16,451)	(16,451)	-	-

(c) Market risk

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

Interest rate risk

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

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount	
	2010	2009
	\$	\$
<hr/>		
Fixed rate instruments		
Financial assets	104,315	130,000
	104,315	130,000
<hr/>		
Variable rate instruments		
Financial assets	46,348	19,865
	46,348	19,865
<hr/>		

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.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(e) Capital management (continued)

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

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Directors' declaration

In the Directors opinion:

- (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

On behalf of the Board:



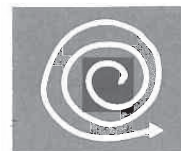
Robert J Knight
Chairman

Signed at Biggera Waters on 27 September 2010.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BROADWATER FINANCIAL SERVICES 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 Broadwater Financial Services 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 established 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.

Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au

ABN 60 616 244 309

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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 Broadwater Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 27 September 2010



Biggera Waters **Community Bank**[®] Branch
Biggera Waters Shopping Centre
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725

Franchisee: Broadwater Financial Services Limited
Biggera Waters Shopping Centre
33 Hollywell Road, Biggera Waters QLD 4216
Phone: (07) 5537 6725
ABN: 29 095 850 463

www.bendigobank.com.au/biggera_waters
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
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