Alice Springs Community
Financial Services Limited
ABN 97 122 893 449

2008 annualreport

Contents

Chairman's report

For year ending 30 June 2008

I am proud to present the second Chairman's report for year ending 30 June 2008, for the Alice Springs Community Financial Services Ltd to our valued shareholders. I am pleased to report steady progress made by the Company during the first year of branch operations, although short of our expectations.

The **Community Bank®** model is celebrating its 10th year this year; however the concept and point of difference is still not widely understood in Alice Springs. The **Community Bank®** model provides more than banking services to our town; it provides us an opportunity to build a sustainable local business with tangible flow on benefits to the town.

I urge all shareholders to continue sharing the story amongst their networks and support our local business. We closed the prospectus in February 2008 with 373 shareholders who raised $850,000 in capital funds.

Some of the highlights for the past year include;

- in partnership with Bendigo Bank, we ran a local television campaign in March to raise the awareness of the NT **Community Bank®** branches
- we have distributed $1000 to 4 community groups in Alice Springs – a small start and a positive sign of the **Community Bank®** branch's commitment to invest locally

The Directors continue to work diligently and tirelessly in a voluntary capacity to support the strategic direction of the Company. I thank them for their efforts and support. We have had one Director resign at the end of this financial year and I would like to take this opportunity to thank Rosemary Wiese for her hard work and dedication to the establishment of the Alice Springs Branch.

I would also like to extend our gratitude to our Branch Manager, Julie Cooper for her professionalism and support in our first business year. Julie and the team have been providing outstanding banking and community services throughout the past year.

In closing, I would like to reiterate that business growth and community alignment will be a key focus for next year. A new business and marketing plan will be implemented and we look forward to a bright and prosperous 2008/2009.

RBeale

Raelene Beale
Chairman

Manager's report

For year ending 30 June 2008

2007-2008 is the first full trading period for the Alice Springs **Community Bank®** Branch. We did not quite achieve the desired results for the first 12 months and finished the year with 72% of budget in lending and 32% of budget in deposits.

As at 30 June 2008, Alice Springs branch had a total book value of $10.13 million in combined deposits and lending. The total number of accounts held was 474, with customer numbers of 296.

Alice Springs branch processes an average of 588 transactions per month. The Automatic Teller Machine (ATM) processes a further 4331 transactions per month on average.

In December 2007 we had a restructure of branch staff and welcomed Amanda Saunders and Kerry Nitchke to the team as part time Customer Service Officers. Rachel Wheeler and Aaron Godfrey our full time staff have assisted Amanda and Kerry with up skilling and training and we now operate with a strong knowledgeable team.

During the year the Alice Springs **Community Bank®** Branch made its first investment in the local community via a competition with local school children. The competition resulted in the Youth Centre receiving a new DVD player, the RSPCA receiving a trolley of dog & cat food, Acacia Hills School receiving new tactile and audio books and the Council lawns has a new public rubbish bin.

Bendigo Bank's **Community Bank®** model is unique to banking in Australia, as part of their after tax profits are returned to the local community.

Continued business growth and community investment can only be provided if the community and in particular the shareholders continue to support the branch by moving their banking to us. You are all ambassadors for the Alice Springs **Community Bank®** Branch and we rely on you all to spread the word regarding the benefits of banking with your **Community Bank®** branch.

In closing I would like to thank all of the shareholders who have embraced and supported our branch. I would also like to thank the branch staff for their exceptional customer service and teamwork, and would like to recognise the dedication and hard work of the Directors. We all look forward to a bigger and better year to come!

Julie Cooper
Branch Manager

Director's report

For year ending 30 June 2008

Your Directors submit their report of the Company for the financial year ended 30 June 2008.

Directors

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

Raelene Joy Beale
Chairman
Project Officer/Consultant

Andrew David McGauchie
Director
Upholsterer

Glenyce Faye McGauchie
Director
Property Co-ordinator

Toni-Maree Margaret Carter
Director
Workplace Trainer & Assessor

Gary James Carter
Director
Trainer

Sergei Jansons
Treasurer
Accountant CPA

Rosemary Eleanor Wiese (resigned 30 June 2008)
Company Secretary & Vice-Chair
Consultant

Noel Fraser Thomas
Director
Retired

Jennifer Howard
Director
Executive, CAAMA

Hugh Bland (appointed 1 August 2007)
Director
Anthropologist

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

No Directors have material interests in contracts or proposed contracts with the Company.

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.

Operating results

The loss of the Company for the financial year after provision for income tax was $260,107 (2007: $3,326).

Dividends

The Directors recommend that no dividend be paid for the current year.

Director’s report continued

Significant changes in the state of affairs

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

Significant events after the balance date

In the opinion of the Directors there are no other 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 providing banking services to the community.

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.

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 Managers 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.

Director's report continued

Directors meetings

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

Number of meetings held:	**15**
Number of meetings attended:	
Raelene Joy Beale	15
Sergei Jansons	11
Andrew David McGauchie	12
Rosemary Eleanor Wiese (resigned 30 June 2008)	12
Glenyce Faye McGauchie	15
Noel Fraser Thomas	12
Toni-Maree Margaret Carter	13
Jennifer Howard	11
Gary James Carter	12
Hugh Bland (appointed 1 August 2007)	11

Company Secretary

Rosemary Wiese has been the Company Secretary of Alice Springs Community Financial Services Ltd since incorporation on 28 November 2006. Rosemary established her own secretarial business in 1982 and is an active member of the Chamber of Commerce, the Australian Institute of Company Directors and the Institute of Certified Bookkeepers.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Raelene Beale, Sergei Jansons and Toni-Maree Carter.

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

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 Alice Springs Community Financial Services Ltd for the financial year ended 30 June 2008, 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

9 September 2008

Signed in accordance with a resolution of the Board of Directors at Alice Springs on 9 September 2008.

Raelene Beale
Chairman

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenues from ordinary activities	2	76,870	-
Employee benefits expense	3	(206,675)	-
Depreciation and amortisation expense	3	(43,861)	-
Finance costs	3	(250)	-
Other expenses from ordinary activities		(190,688)	(4,751)
Profit/(loss) before income tax expense		**(364,604)**	**(4,751)**
Income tax expense / (benefit)	4	(104,497)	(1,425)
Profit/(loss) after income tax expense		**(260,107)**	**(3,326)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	(31.46)	(0.42)
- diluted for profit / (loss) for the year	20	(31.46)	(0.42)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets	6	189,521	796,050
Receivables	7	9,186	-
Total current assets		**198,707**	**796,050**
Non-current assets			
Property, plant and equipment	8	194,567	-
Deferred income tax asset	4	105,922	1,425
Intangible assets	9	98,000	-
Total non-current assets		**398,489**	**1,425**
Total assets		**597,196**	**797,475**
Current liabilities			
Payables	10	12,794	19,424
Provisions	11	8,738	-
Total current liabilities		**21,532**	**19,424**
Total liabilities		**21,532**	**19,424**
Net assets		**575,664**	**778,051**
Equity			
Share capital	12	839,097	781,377
Retained earnings / (accumulated losses)	13	(263,433)	(3,326)
Total equity		**575,664**	**778,051**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Cash receipts in the course of operations		51,594	-
Cash payments in the course of operations		(400,618)	-
Interest paid		(250)	-
Interest received		21,453	-
Net cash flows from/(used in) operating activities	**14b**	**(327,821)**	**-**
Cash flows from investing activities			
Payments for property, plant and equipment		(216,428)	-
Payments for intangible assets		(120,000)	-
Net cash flows from/(used in) investing activities		**(336,428)**	**-**
Cash flows from financing activities			
Proceeds from issue of shares		57,720	796,050
Net cash flows from/(used in) financing activities		**57,720**	**796,050**
Net increase/(decrease) in cash held		**(606,529)**	**796,050**
Add opening cash brought forward		796,050	-
Closing cash carried forward	**14a**	**189,521**	**796,050**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		781,377	-
Issue of share capital		61,480	796,050
Share issue costs		(3,760)	(14,673)
Balance at end of year		**839,097**	**781,377**
Retained earnings / (accumulated losses)			
Balance at start of year		(3,326)	-
Profit/(loss) after income tax expense		(260,107)	(3,326)
Dividends paid		-	-
Balance at end of year		**(263,433)**	**(3,326)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 9 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (‘AIFRS’). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (‘IFRS’). 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

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Notes to the financial statements continued

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

Property, plant and equipment

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

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
Plant & equipment	10-20%

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.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Notes to the financial statements continued

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

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement 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 balance 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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

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.

Interest bearing liabilities

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

Provisions

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

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.

Contributed 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.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The entity commenced operations during the period ended 30 June 2007 and hence comparative figures are not for a full year.

Notes to the financial statements continued

	2008 $	2007 $
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	55,417	-
- other revenue	-	-
Total revenue from operating activities	**55,417**	**-**
Non-operating activities:		
- interest received	21,453	-
- other revenue	-	-
Total revenue from non-operating activities	**21,453**	**-**
Total revenue from ordinary activities	**76,870**	**-**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	173,523	-
- superannuation costs	14,950	-
- other costs	18,202	-
	206,675	**-**
Depreciation of non-current assets:		
- plant and equipment	21,861	-
Amortisation of non-current assets:		
- intangibles	22,000	-
	43,861	**-**
Finance costs:		
- Interest paid	250	-
Bad debts	796	-

Notes to the financial statements continued

	2008 $	2007 $

Note 4. Income tax expense

	2008 $	2007 $
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	(109,381)	(1,425)
Add tax effect of:		
- Non-deductible expenses	4,884	-
Current income tax expense	**(104,497)**	**(1,425)**
Income tax expense / (benefit)	**(104,497)**	**(1,425)**
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**105,922**	**1,425**

Note 5. Auditors' remuneration

	2008 $	2007 $
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,650	1,500
- Completion of feasibility study	-	7,000
- Accounting work for prospectus	-	2,000
	3,650	**10,500**

Note 6. Cash assets

	2008 $	2007 $
Cash at bank and on hand	**189,521**	**796,050**

Note 7. Receivables

	2008 $	2007 $
Trade debtors	9,186	-
	9,186	**-**

Notes to the financial statements continued

	2008 $	2007 $

Note 8. Property, plant and equipment

	2008 $	2007 $
Plant and equipment		
At cost	216,428	-
Less accumulated depreciation	(21,861)	-
Total written down amount	**194,567**	**-**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	-	-
Additions	216,428	-
Disposals	-	-
Depreciation expense	(21,861)	-
Carrying amount at end of year	**194,567**	**-**

Note 9. Intangible assets

	2008 $	2007 $
Franchise fee		
At cost	10,000	-
Less accumulated amortisation	(1,833)	-
	8,167	**-**
Preliminary expenses		
At cost	110,000	-
Less accumulated amortisation	(20,167)	-
	89,833	**-**
	98,000	**-**

Note 10. Payables

	2008 $	2007 $
Trade creditors	12,794	4,751
Share issue costs	-	14,673
	12,794	**19,424**

	2008 $	2007 $

Note 11. Provisions

Employee benefits	8,738	-
Number of employees at year end	**5**	**-**

Note 12. Share capital

857,530 Ordinary Shares fully paid of $1 each	857,530	796,050
Less: Equity raising costs	(18,433)	(14,673)
	839,097	**781,377**

During the year ended 30 June 2008, 61,480 shares were issued.

Note 13. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(3,326)	-
Profit/(loss) after income tax	(260,107)	(3,326)
Balance at the end of the financial year	**(263,433)**	**(3,326)**

Note 14. Cash flow statement

(a) Reconciliation of cash

Cash assets	189,521	796,050
	189,521	**796,050**

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

Profit / (loss) after income tax	(260,107)	(3,326)
Non cash items		
- Depreciation	21,861	-
- Amortisation	22,000	-

Notes to the financial statements continued

	2008 $	2007 $
Note 14. Cash flow statement (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(9,186)	-
- (Increase) decrease in deferred income tax asset	(104,497)	(1,425)
- Increase (decrease) in payables	(6,630)	4,751
- Increase (decrease) in provisions	8,738	-
Net cash flows from/(used in) operating activities	**(327,821)**	**-**

Note 15. Director and related party disclosures

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

Raelene Joy Beale

Sergei Jansons

Andrew David McGauchie

Rosemary Eleanor Wiese (resigned 30 June 2008)

Glenyce Faye McGauchie

Noel Fraser Thomas

Toni-Maree Margaret Carter

Jennifer Howard

Gary James Carter

Hugh Bland (appointed 1 August 2007)

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

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

Directors shareholdings	2008	2007
Raelene Joy Beale	5,001	5,001
Sergei Jansons	10,001	10,001
Andrew David McGauchie	1,647	1,647
Rosemary Eleanor Wiese (resigned 30 June 2008)	1,501	1,501
Glenyce Faye McGauchie	1,647	1,647
Noel Fraser Thomas	10,001	10,001
Toni-Maree Margaret Carter	7,137	7,137
Jennifer Howard	501	501
Gary James Carter	7,137	7,137
Hugh Bland (appointed 1 August 2007)	1,563	1,563

There was no movement in Directors shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 16. Subsequent events

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.

Note 18. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in one geographic area being Alice Springs, Northern Territory.

Notes to the financial statements continued

Note 19. Corporate information

Alice Springs Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office is:

Shop 25/26, Coles Complex, Bath Street,
Alice Springs NT 0871

The principal place of business is:

Shop 25/26, Coles Complex, Bath Street,
Alice Springs NT 0870

	2008 $	2007 $

Note 20. 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:

	2008 $	2007 $
Profit/(loss) after income tax expense	**(260,107)**	**(3,326)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**826,790**	**796,050**

Note 21. 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.

Note 21. 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 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. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008	**2007**
	$	**$**
Cash assets	189,521	796,050
Receivables	9,186	-
	198,707	**796,050**

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 Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

Note 21. 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 2008					
Payables	12,794	(12,794)	(12,794)	-	-
Interest bearing liabilities	-	-	-	-	-
	12,794	**(12,794)**	**(12,794)**	**-**	**-**
30 June 2007					
Payables	19,424	(19,424)	(19,424)	-	-
Interest bearing liabilities	-	-	-	-	-
	19,424	**(19,424)**	**(19,424)**	**-**	**-**

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount 2008 $	Carrying amount 2007 $
Fixed rate instruments		
Financial assets	200,000	-
Financial liabilities	-	-
	200,000	**-**
Variable rate instruments		
Financial assets	(10,479)	796,050
Financial liabilities	-	-
	(10,479)	**796,050**

Note 21. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 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 Balance Sheet. 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 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 2008 can be seen in the Income Statement.

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

Director's declaration

In accordance with a resolution of the Directors of Alice Springs Community Financial Services Limited, I state that:

In the opinion of the Directors:

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

  (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.

Raelene Beale
Chairman

Signed at Alice Springs on 9 September 2008.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

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

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF ALICE SPRINGS COMMUNITY
FINANCIAL SERVICES LIMITED

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Alice Springs Community Financial Services Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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Liability limited by a scheme approved under Professional Standards Legislation

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 Alice Springs Community Financial Services Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date;

(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

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 9 September 2008

Alice Springs **Community Bank**® Branch
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