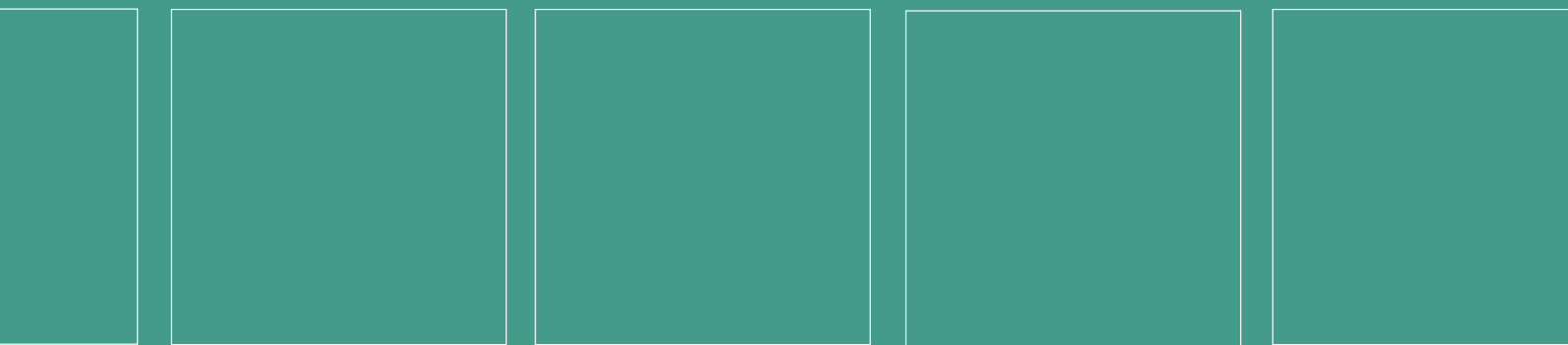


# 2008 annual report



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# Chairman's report

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For year ending 30 June 2008

It is a great pleasure to report on what has been another year of steady improvement across our branch operations. We are starting to see the fruits of our investments in the branch and its staff over the last year and the expanding community involvement through the sponsorship programme and making available Company resources for a multitude of community events.

Reported net profit after tax fell by \$148,737 to \$ 50,032 (\$198,769 (2007)) reflecting a \$80,829 increase over the prior year to the Company's community sponsorship programme and a large unfavourable mark-to-market adjustment in our Sponsorship Investment Fund stemming from the difficult stock market over the last 12 months.

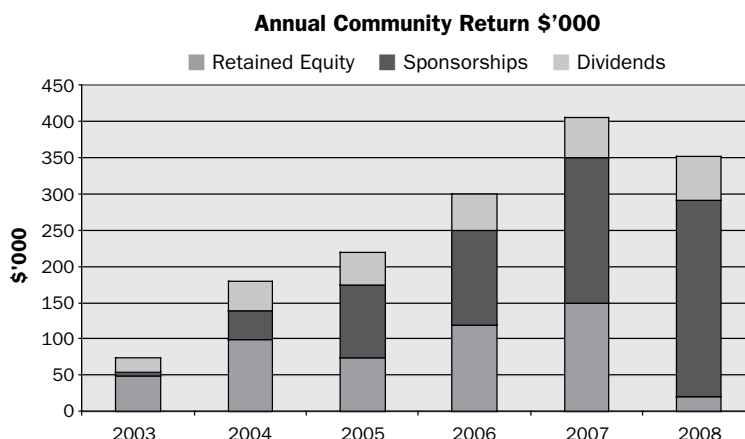
As at 30 June 2008 our banking portfolio was in excess of \$ 90 million (\$ 83.4 million 2007) a substantial increase in what is a very competitive retail banking environment. In turn this has led to a \$ 91,247 or 27% improvement in branch operating profits to \$425,980 (\$334,733 (2007)).

Reflecting the increasing branch profitability and higher sponsorship contributions to the community your Board has paid an interim dividend of 7 cents (6 cents 2007), and has resolved to pay a final dividend of 8 cents per share ( 8 cents 2007) both fully franked, making 15 cents (14 cents 2007) for the year, payable on 31 October 2008 to all shareholders as at 30 September 2008.

As our financial capacity grows, a measure of our success in returning capital and distributions to our community is the Annual Community Return (ACR). This measures the dividends paid to our shareholders, the value of sponsorships returned to our local community and after tax earnings retained in the business.

In 2008 the ACR was \$ 350,867, a slight reduction on the 2007 ACR of \$400,000, due to the reduction in value of our investment portfolio. However, Bank profitability enabled Community sponsorships to be increased by \$ 68,360.

Since 2003 when the Company paid its maiden dividend there has been a significant compound growth in ACR which very tangibly demonstrates the tremendous success of the branch in making a positive impact in our local community.



# Chairman's report continued

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## Community sponsorship

This year we have distributed or approved for distribution \$269,588 (\$201,228 2007) to a variety of community groups due to the continuation of record trading profits and robust financial strength. This is further detailed in the Sponsorship Committee report.

## Sponsorship investment fund

By its nature the contribution from our investments which are principally in ASX top 100 listed companies will fluctuate depending on the underlying operating results from individual companies we invest in and market sentiment. This year the requirement to "mark-to-market" our investment portfolio which is focussed on income earning stocks, has resulted in a loss being reported from this activity.

For the full year the pre-tax contribution from our investments was an \$88,927 loss (\$129,867 profit 2007). This turn-around was entirely due to the "mark-to market" accounting book entries. Underlying dividends and distributions from our investments increased 54% to \$37,284 (\$24,205 (2007)).

Due to the deterioration in market values during the year from the buoyant conditions that existed last financial year the market value of our investments as at 30 June 2008 was \$49,000 or 8.4% below cost which compares to \$76,400 or 16.6% above cost as at 30 June 2007. The resulting unfavourable turn-around this year has been \$125,400.

The Sponsorship Investment Fund is managed by a sub committee that regularly reviews our investment portfolio. We remain confident that the Sponsorship Fund will meet its objective of providing a diversified earning stream to sustain and build the size of the community sponsorship programme which we see as pivotal to the success of the overall business.

Since inception 3 years ago, the Sponsorship Investment Fund has produced:

Dividends and distributions	\$71,500
Net realised & unrealised losses	\$(11,400)

## Branch operations

Despite many challenges during the year, the business achieved growth of \$7.0 million or 8.4% over the past 12 months, which was slightly ahead of that achieved in the prior year.

Our business levels can be categorised as follows:

<b>Product</b>	<b>2008</b>	<b>2007</b>
	<b>\$mil</b>	<b>\$mil</b>
Savings Accounts	7.4	7.7
Term Deposits/Bills	35.5	27.4
Statement Accounts	15.1	18.0
Loan Business	25.2	23.3
Off Balance Sheet Business	7.2	7.0
<b>Total</b>	<b>90.4</b>	<b>83.4</b>

# Chairman's report continued

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With the rise in interest rates, and the instability of the stock market, term deposits have become more attractive, but in the competitive banking environment we have continued to hold our own and increase our portfolio overall. I believe business in the coming year will be very challenging.

## **Future growth**

The Board has devoted considerable effort to encouraging the development of a new **Community Bank**<sup>®</sup> branch at Ormond. However, after many meetings and much encouragement, it was considered that the level of indicated support at this time did not justify continuation of this project.

The Board is always seeking opportunities to grow the Bank and will continue this pro-active approach.

## **Staff**

The Branch operates very efficiently under the Manager, Peter Wolff, and I pay tribute to our friendly and efficient staff, whose role and performance continues to be a major factor in our Bank achieving such high regard in our local community.

## **Bendigo Bank**

The merger of the Adelaide Bank with Bendigo Bank has increased our status in the marketplace, and as the **Community Bank**<sup>®</sup> concept continues to expand within the overall activities of Bendigo Bank throughout Australia, I would like to acknowledge their continuing support and encouragement, and their focused attention to the needs of their customers.

## **Professional advice**

I acknowledge the Company Secretary Ric Sykes, and our Legal Advisor Phil Carey, for their professional advice during the year.

## **Board of Directors**

The Board continues to provide unstinting dedication on a volunteer basis and I acknowledge the time and energy they provide.

The Board comprises of:

Peter W. Norman – Chairman

Stuart E. Martyn – Deputy Chairman

Ric Sykes – Company Secretary

Kenneth R. Blackshaw

Cheryl S. Newsom

Philip C. Carey

Michael Arbon (Appointed 27/11/ 2007)

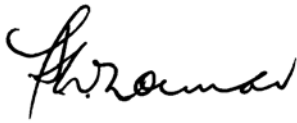
## Chairman's report continued

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Finally, I would like to thank those who are currently supporting our **Community Bank**<sup>®</sup> branch with their banking business and look forward to that continuing support in the future.

Our branch has always provided a high level of quality service and the Bendigo Bank product range continues to expand and is very competitive.

I welcome any shareholder or local resident who does not currently bank with us to come and experience the great service we deliver at our **Community Bank**<sup>®</sup> branch as its ongoing strength and vitality provide the ability for the Company to expand the Community sponsorship program.



**Peter Norman**  
**Chairman**

# Sponsorship committee report

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For year ending 30 June 2008

The Company is proud of its community citizenship and is pleased to be in a position to fulfill the pledge to return a proportion of profit back to the community. Our community sponsorship program is in its fifth year of operation. Approved sponsorships together with donations and other community contributions have now exceeded \$736,000 since the branch was established.

Our contributions are aimed at improving the ability of community organisations to deliver services that they provide. We will continue to participate as actively as we can in this area and respond to requests for sponsorship where benefits are available to significant sections of our community.

During the last financial year, the Company was proud to have supported a wide cross section of community organisations, 51 in all, for a variety of initiatives with a total value of \$269,588 (\$201,228 (2007)).

## Sport

### Organisation

All Saints East Malvern Tennis Club

Ashburton Young Cricketers

Chadstone Bowls Club

Collegians Football Club

De La Salle Old Collegians F.C.

East Bentleigh Soccer Club

East Malvern Cricket Club

East Malvern Junior Football Club

East Malvern RSL Anglers Club

East Malvern RSL Bowls Club

Glen Eira Junior Soccer Club

Malvern Baseball Club

Malvern Cricket Club

Malvern District AFL Auskick

Malvern Sports and Recreational Social Club

Monash Gryphons Football Club

Monash Gryphons Cricket Club

Old Xaverians Football Club

Powerhouse Football Club

Prahran Cricket Club

St.Kevins O.B. Football Club

St. Mary's Football Club

Tooronga District Cricket Club

Tooronga East Malvern Hockey Club

Victorian Amateur Football Association

### Outcome

Install water tank

Furniture, carpet

Sponsorship of tournament

Clubroom heating, marketing

Training gear, medical gear

Training gear, coaches training

Local Schools Challenge Competition

Portable scoreboards, training gear

Membership promotion

Sponsor bowls competition

Sponsor wheelchair athletes

Publication club history

Coaching courses

Training gear, coaches

Security alarm, upgrade bar equipment

Upgrade clubhouse facilities

Training gear, safety equipment

Upgrade kitchen, goalpost padding

Upgrade clubrooms

New sight screens

Training gear, safety equipment

Upgrade clubrooms

Wicket covers

Training program – Under 11

Lighting improvements and maintenance

# Sponsorship committee report continued

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## Education

<b>Organisation</b>	<b>Outcome</b>
Ewing Kindergarten	Mod grass for play areas
Caulfield City Toy Library	Storage shelves, new toys
Gardiner Pre - School	Replace decking, repair cubbyhouse
Glenhuntly Primary School	Kitchen garden, sun protection
Lloyd Street Primary School	International bacculaureate
Malvern Valley Primary School	Musical instruments for school band
Malvern Special Needs Playgroup	Development equipment, office renovations
May Armstrong Childcare Centre	Fund raising activities
Nirvana Playgroup Assn.	Upgrade playground
Solway Primary School	Playground improvements - sail cloths
Stonnington Toy Library	Upgrade computer equipment
St. Joseph's Primary School	Air conditioning for classrooms
The Currajong School	Specialist dance program

## Community

<b>Organisation</b>	<b>Outcome</b>
Abbeyfield Society	Security, lighting upgrade
Marriott Support Services	Community awareness program
Malvern Artists' Society	Sponsor art exhibition
Malvern Historical Society	Reprint booklets
Malvern East Uniting Church Centre	Playground fencing
Melbourne Mandolin Orchestra	Concert promotion
Reconnexion	Multi language information sheets
Rotary Club of St. Arnaud	Drought relief community project
Samarinda Lodge	Water wise garden area
Very Special Kids	Sponsorship of art show



**Ken Blackshaw**

**Director and Sponsorship Committee member**



# Secretary's report

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For year ending 30 June 2008

## **Use of the Company seal**

The Company seal was not used during the year.

## **Directors attendance at Board**

Eleven Board Meetings were conducted during the year. The attendance was:

Peter Norman	10
Ric Sykes	6
Stuart Martyn	9
Ken Blackshaw	10
Cheryl Newsom	10
Philip Carey	9
Michael Arbon (appointed 27/11/07)	4



**Ric Sykes**

**Director and Company Secretary**

# Director's report

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For year ending 30 June 2008

The net profit of the Company for the financial year after providing for income tax amounted to \$50,032 (\$198,769 (2007)).

A review of the operations of the Company during the financial year and the results of those operations were as follows:

- The principal activity of the Company during the financial year was **Community Bank**<sup>®</sup> branch operating under a franchise with the Bendigo Bank Limited.
- No significant change in the nature of these activities occurred during the year.
- The Company will continue with its policy of providing banking services to the community.
- Dividends paid during the year were, a final dividend for 2007 of 8 cents (fully franked), an interim dividend for 2008 of 7 cents (fully franked), and the Board has recommended a final dividend of 8 cents (fully franked) to be paid on 31 October 2008 to all shareholders as at 30 September 2008.
- 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.
- No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.
- No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is in or has been an Officer or Auditor of the Company.

Signed in accordance with a resolution of the Board of Directors 28 August 2008.



**Ric Sykes**  
**Director and Company Secretary**

# Financial statements

## Balance sheet

As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Current assets</b>			
Cash	17 (a)	107,833	56,518
Accounts receivable	5	89,299	68,965
Investments	6	167,742	273,269
<b>Total current assets</b>		<b>364,924</b>	<b>398,752</b>
<b>Non-current assets</b>			
Investments	7	531,020	536,866
Property, plant and equipment	8	45,005	10,402
Intangibles	9	4,000	6,000
<b>Total non-current assets</b>		<b>580,025</b>	<b>553,268</b>
<b>Total assets</b>		<b>944,949</b>	<b>952,020</b>
<b>Current liabilities</b>			
Accounts payable	10	1,823	1,523
Provisions	11	25,028	59,947
Other	12	179,137	146,102
<b>Total current liabilities</b>		<b>205,988</b>	<b>207,572</b>
<b>Non-current liabilities</b>			
Provisions	13	-	22,918
Other	14	-	5,000
<b>Total non-current liabilities</b>		<b>-</b>	<b>27,918</b>
<b>Total liabilities</b>		<b>205,988</b>	<b>235,490</b>
<b>Net assets</b>		<b>738,961</b>	<b>716,530</b>
<b>Shareholder's equity</b>			
Share capital	15	394,310	394,310
Accumulated profits		344,651	322,220
<b>Total shareholder's equity</b>		<b>738,961</b>	<b>716,530</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Income statement

For year ending 30 June 2008

	Note	2008 \$	2007 \$
Margin income	2	825,517	655,631
Fee income		141,406	134,972
Commission income		23,169	21,326
Interest income		8,566	22,672
Dividends and other investment income		(87,246)	129,867
<b>Total income</b>		<b>911,412</b>	<b>964,468</b>
Personnel expenses		306,289	270,009
Building occupancy expenses		76,381	77,751
Depreciation and amortisation		4,995	2,723
Sponsorships and donations		272,165	201,228
Other office expenses		164,018	126,533
Bad debt expense	2	4,352	180
Interest expense	2	30	-
<b>Total expenses</b>		<b>828,230</b>	<b>678,424</b>
<b>Operating profit</b>		<b>77,682</b>	<b>286,044</b>
Income tax expense	3	27,650	87,275
<b>Operating profit after income tax</b>		<b>50,032</b>	<b>198,769</b>
Dividends declared	4	(27,601)	(55,204)
Accumulated profits at the beginning of the financial year		322,220	178,655
<b>Accumulated profits at the end of the financial year</b>		<b>344,651</b>	<b>322,220</b>
<b>Earnings per share</b>		<b>12.7cents</b>	<b>50.4 cents</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		969,758	803,351
Payments to suppliers and employees		(783,917)	(614,255)
Dividends and other investment income		27,952	58,731
Interest received		8,566	22,672
Interest paid		(30)	
Income tax paid		(57,345)	(88,323)
<b>Net operating cash flows</b>	<b>17 (b)</b>	<b>164,984</b>	<b>182,176</b>
<b>Cash flows from investing activity</b>			
Furniture / fittings / motor vehicles		(34,602)	(8,345)
Investment in sponsorship fund (ASX listed sec)		(125,398)	(160,491)
Redemption / (investment) in term deposits		105,528	63,418
<b>Net investing cash flows</b>		<b>(57,472)</b>	<b>(105,418)</b>
<b>Cash flows from financing activity</b>			
Payment of dividends on ordinary shares		(59,147)	(51,260)
<b>Net investing cash flows</b>		<b>(59,147)</b>	<b>(51,260)</b>
Net increase/(decrease) in cash held		51,365	25,498
Cash at the beginning of the financial year		56,518	31,020
<b>Cash at the end of the financial year</b>	<b>17 (a)</b>	<b>107,883</b>	<b>56,518</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity

As at 30 June 2008

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>At 30 June 2006</b>	<b>394,310</b>	<b>178,655</b>	<b>572,965</b>
Profit for the year		198,769	198,769
Dividends declared		(55,204)	(55,204)
<b>At 30 June 2007</b>	<b>394,310</b>	<b>322,220</b>	<b>716,530</b>
Profit for the year		50,032	50,032
Dividends declared		(27,601)	(27,601)
<b>At 30 June 2008</b>	<b>394,310</b>	<b>344,651</b>	<b>738,961</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2008

## Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Law, which includes applicable Accounting Standards. Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board have also been complied with. The financial report has been prepared on an accruals basis and is based on historical costs 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 accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

### **Income tax**

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### **Property, plant and equipment**

Property, plant and equipment are carried at cost or at independent or Director's valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, are depreciated on straight line basis over the estimated useful lives to the entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

# Notes to the financial statements continued

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## Note 1. Statement of significant accounting policies (continued)

### **Intangibles**

Franchise fees are amortised over the useful life, being a period of 5 years.

### **Employee entitlements**

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

### **Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Revenue is recognised net of the amount of goods and services tax.

### **Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

### **Financial instruments included in equity**

Ordinary share capital is recorded at the value of the consideration received. The costs of issuing shares are charged against the share capital. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

### **Financial instruments included in liabilities**

Borrowings are recorded at the amount received on advance from the lender.

### **Financial instruments included in assets**

Trade debtors are initially recorded at the amount of contracted sale proceeds.

Provision for doubtful debts are recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified.

Bank deposits and short term bank bill investments are carried at cost and interest revenue is recognised on an effective yield basis.



# Notes to the financial statements continued

## Note 1. Statement of significant accounting policies (continued)

### Statement of compliance

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

	2008 \$	2007 \$
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## Note 2. Profit and loss items

Margin income	825,517	655,631
Fee income	141,406	134,972
Commission income	23,169	21,326
Interest income	8,566	22,672
Dividends and other investment income	(87,246)	129,867
<b>Total income</b>	<b>911,412</b>	<b>964,468</b>

Operating result is after charging the following expenses:

### Depreciation:

Depreciation of :

– Fixtures and fittings	2,995	723
– Leasehold improvements		-
Amortisation of		
– Establishment fees	2,000	2,000
– Formation costs	-	-

<b>Total depreciation and amortisation</b>	<b>4,995</b>	<b>2,723</b>
Bad debt expense	4,352	180
Interest expense	30	-
<b>Other operating expense items:</b>		
Provision for employee entitlements	15,984	3,873
<b>Operating lease rentals</b>	<b>55,086</b>	<b>55,759</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 3. Income tax</b>		
<b>Income tax expense</b>		
The difference between the income tax benefit in the financial statements and the prima facie income tax benefit is reconciled as follows:		
Operating profit	77,682	286,044
Prima facie tax expense	23,304	85,813
Tax effect of permanent and other differences:		1,316
Prior period under accrual		146
<b>Total income tax expense attributable to operating profit</b>	<b>23,304</b>	<b>87,275</b>

The value of franking credits as at 30 June 2008 was \$ 199,032 (\$156,835 (2007)).

## Note 4. Dividends paid and payable

### Dividends paid

Fully franked interim dividend (6 cents per share)	-	23,659
Fully franked interim dividend (7 cents per share)	27,601	-

### Dividends proposed

Fully franked final dividend (8 cents per share)	31,545	31,545
Fully franked final dividend (8 cents per share)		-
<b>Total dividends paid and payable</b>	<b>59,146</b>	<b>55,204</b>

## Note 5. Accounts receivable (current)

Accounts receivable	89,299	68,965
Provision for doubtful debts	-	-
<b>Total accounts receivable (current)</b>	<b>89,299</b>	<b>68,965</b>

## Note 6. Investments (current)

Term deposits	167,742	273,269
<b>Total investments (current)</b>	<b>167,742</b>	<b>273,269</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 7. Investments (non-current)</b>		
Sponsorship Fund (ASX listed securities) at cost	580,025	460,473
Market value adjustment	(49,005)	76,393
<b>Total investments (non-current)</b>	<b>531,020</b>	<b>536,866</b>

### Note 8. Property, plant and equipment

Furniture and fittings at cost	15,743	11,125
Less accumulated depreciation	(3,717)	(723)
<b>Total fixtures and fittings, net</b>	<b>12,026</b>	<b>10,402</b>
Motor Vehicles – at cost	33,609	
Less accumulated depreciation	(630)	
	<b>32,979</b>	
<b>Total property, plant and equipment, net</b>	<b>45,005</b>	<b>10,402</b>

### Note 9. Intangibles

Franchise fee at cost	60,000	60,000
Training fee at cost	50,000	50,000
<b>Total Establishment fees at cost</b>	<b>110,000</b>	<b>110,000</b>
Less accumulated depreciation	(106,000)	(104,000)
<b>Total Establishment fees, net</b>	<b>4,000</b>	<b>6,000</b>
<b>Total Intangibles, net</b>	<b>4,000</b>	<b>6,000</b>

### Note 10. Accounts payable (current)

Trade creditors – unsecured	1,823	1,523
<b>Total accounts payable (current)</b>	<b>1,823</b>	<b>1,523</b>

### Note 11. Provisions (current)

Employee entitlements	34,135	18,152
Dividends on ordinary shares	5,695	35,236
Income tax	(10,417)	6,559
<b>Total provisions (current)</b>	<b>29,413</b>	<b>59,947</b>

## Notes to the financial statements continued

	Note	2008 \$	2007 \$
<b>Note 12. Other (current)</b>			
Net GST collected/(paid)		15,739	12,941
Accruals		160,214	129,815
Miscellaneous		3184	3,346
<b>Total other liabilities (current)</b>		<b>179,137</b>	<b>146,102</b>

### Note 13. Provisions (non-current)

Deferred income tax		-	22,918
<b>Total provisions (non-current)</b>		<b>-</b>	<b>22,918</b>

### Note 14. Other (non-current)

Sponsorship accruals		-	5,000
<b>Total other liabilities (non-current)</b>		<b>-</b>	<b>5,000</b>

### Note 15. Share capital

#### **Paid up capital**

Beginning of the financial year		394,310	394,310
<b>Ordinary shares fully paid</b>		<b>394,310</b>	<b>394,310</b>

#### **Movement in shares on issue**

Beginning of the financial year		394,310	394,310
<b>Ordinary shares fully paid</b>		<b>394,310</b>	<b>394,310</b>

#### **Movement in retained earnings**

Accumulated profits at the beginning of the financial year		322,220	178,655
Operating profit after income tax expense		50,032	198,769
Dividends paid / payable	4	(27,601)	(55,204)
<b>Accumulated profits at the end of the financial year</b>		<b>344,651</b>	<b>322,220</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 16. Commitments</b>		
Operating lease expenditure contracted for is payable as follows:		
Not later than one year	55,759	55,759
Later than one year but not later than five years	59,106	114,865
	<b>114,865</b>	<b>170,624</b>

## Note 17. Notes to the statement of cash flows

### (a) Reconciliation of cash

For the purpose of the Statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Statement of cash flows is reconciled to the related items in the Balance sheet as follows:

Cash at bank	107,883	56,518
	<b>107,883</b>	<b>56,518</b>

### (b) Reconciliation of net cash provided by operating activities to operating profit after income tax

Operating profit after income tax	50,032	198,769
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#### Adjustments for non-cash income and expense items:

Franking credits received	(10,200)	(6,626)
Depreciation	2,995	723
Amortisation	2,000	2,000

#### (Increase) / decrease in assets:

Market value adjustment	125,398	(64,510)
Accounts receivable	(21,481)	(8,578)

#### (Decrease) / increase in liabilities:

Accounts payable	(1,700)	(2,866)
Provisions and other liabilities	17,940	63,264

<b>Net cash from operating activities</b>	<b>164,984</b>	<b>182,176</b>
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## Notes to the financial statements continued

	2008 \$	2007 \$
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### Note 18. Directors' remuneration

The number of Directors who were paid, or were due to be paid remuneration (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the Company or any related corporation, as shown in the following bands, were: 6

<b>The aggregate remuneration of all Directors was:</b>	<b>30,000</b>	<b>Nil</b>
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### Note 19. Financial instruments

#### (a) Interest rate risk exposures

The Company is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the Company, together with effective interest rates as at balance date.

2008	Floating	Fixed rate	Non-interest	Total	Interest rate as at	
	interest rate	1 year or	bearing		30.06.08	
	(a)	less			Floating	Fixed
<b>Financial assets</b>						
Cash (i)	107,883			107,883	3.4%	
Accounts receivables			89,299	89,299		
Term deposits (ii)		167,742		167,742		7.85%
	107,883	167,742	89,299	364,924		
<b>Financial liabilities</b>						
Accounts payable			1,823	1,823		
			1,823	1,823		

2007	Floating	Fixed rate	Non-interest	Total	Interest rate as at	
	interest rate	1 year or	bearing		30.06.07	
	(a)	less			Floating	Fixed
<b>Financial assets</b>						
Cash (i)	56,518			56,518	2.2%	
Accounts receivables			68,965	68,965		
Term deposits (ii)		273,269		273,269		6.1%
	56,518	273,269	68,965	398,752		
<b>Financial liabilities</b>						
Accounts payable			1,523	1,523		
			1,523	1,523		

(i) The floating interest rate represents the rate applicable to the instrument at balance date.

(ii) The fixed interest rate represents the contract rates in place at balance date.

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 20. Remuneration of Auditors</b>		
The following total remuneration was received, or is due and receivable, by the Auditors of the Company in respect of:		
- Auditing the financial statements	3,019	3,370
- Other services	454	-
<b>Total remuneration of Auditors</b>	<b>3,473</b>	<b>3,370</b>

## Note 21. Related party disclosures

Transactions undertaken on commercial terms and conditions

P Norman – business development consulting	-	1,500
K Blackshaw – business development consulting	5,000	5,000
EZ Enterprise Pty Ltd (R Sykes) – accounting fee	1,500	1,500
<b>Total related party payments</b>	<b>6,500</b>	<b>8,000</b>

## Note 22. Subsequent events

There have been no events after balance date which are likely to have a significant effect on the operations of the Company.

## Note 23. Segment information

The Company operates predominantly in one industry, the financial services industry. All operations are carried out in East Malvern, Victoria.

## Note 24. Contingent liabilities

The Company is not aware of any contingent liability as at the date of this financial report.

# Director's declaration

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The Directors of the Company declare that:

1. The financial statements and notes
  - (a) comply with applicable Accounting Standards and the Corporations Law; and
  - (b) give a true and fair view of the financial position at 30th June 2008 and performance for the year ended on that date of the Company
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



**Peter Norman**  
**Chairman**



**Ric Sykes**  
**Director and Company Secretary**

Dated this 28th day of August 2008.



# Independent audit report

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## **TO THE MEMBERS OF THE EAST MALVERN COMMUNITY FINANCIAL SERVICES LIMITED**

### **Scope**

We have audited the financial report being the Director's declaration, Profit & loss statement, Balance sheet and Notes to the financial statements of East Malvern Community Financial Services Limited for the period 1 July 2007 to the 30 June 2008. The Company's Directors are responsible for the financial report. We have 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 to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit opinion**

In our opinion, the financial report of East Malvern Community Financial Services Limited is in accordance with:

(a) the Corporations Law 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 and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

John Creffield  
53 Blackwood Street,  
Carnegie VIC 3163

Ph: (03) 9569 4237 Fax: (03) 9569 4237

**John Creffield**

**Principal**

13/08/2008

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