Elwood Community
Financial Services Limited
ABN 38 087 802 775

2008 annualreport

Contents

Chairman's report

For year ending 30 June 2008

What a journey?

Ten years ago we lost our last bank in Elwood Village. A community meeting was held and it was decided the community would form a steering committee to bring back banking services to area. On the 24 July 1999 this vision was achieved, with the opening of the Elwood **Community Bank®** Branch.

How things have changed

Nine years on and the Village is thriving, with no small thanks to our **Community Bank®** branch. Community grants and sponsorships totalling more than $200,000 has been given out to our local groups and schools, allowing for new sporting facilities to be built, the Elwood Twilight festival to be held, new yachts for the Elwood Sailing Club and for junior cricket to start. These cases are just a small example of what has been achieved.

Shareholders have received dividends for five years totalling $0-60c per $1 share fully franked. This year shareholders will receive a further $0-15c per dollar share fully franked. Also, this year community groups will have access to $45,000 under our Community Grants Program and further sponsorships will be made during the year exceeding the grant amount.

Where to next

Our new mission statement developed at our planning session last year has been put in place namely to use the **Community Bank®** branch to grow the Elwood community. This translates to the more business we do in Elwood the more we can contribute to our community.

We have also agreed to appoint new young Directors to the Elwood Board with skills that reflect today's Elwood community and business environment. We welcome Andrew Ashdown, a local resident with a young family and past banking experience and Sally Gibson who has considerable skills in marketing - her impact has already enhanced our **Community Bank®** branch.

We have had some changes to our staff with Barry Sholl retiring. A special function was held to wish him and his family well and thank them for the considerable contribution they made to our **Community Bank®** branch.

We are pleased to announce the appointment of Gary Scott as our new Branch Manager. He has considerable banking experience and his happy, friendly nature has already won-over our staff and customers.

Chairman’s report continued

We would also like to thank our other staff Barbara Gardiner, June Clark, Jennifer Kane and Leanne Harb. Our branch staff are simply the best, and their works was acknowledged when our **Community Bank®** branch received two awards from the Leader newspaper for Business/Professional Services and Community Contribution.

Next year, we celebrate our 10th anniversary and we invite you to join with us in the major events we are planning.

In closing, without the voluntary help and support of your Board of Directors, none of this could have been achieved and I owe them my deepest thanks.

Alastair Chisholm

Chairman

Manager's report

For year ending 30 June 2008

We have seen the Elwood **Community Bank®** Branch increase its established business with assets to in excess of $65m. We have more than 4,400 accounts, over 3,000 customers and in the past 12 months we have continued to strengthen our relationship and presence within the local community.

The **Community Bank®** branch maintains a full banking service with a vast range of products and services. Other than the friendly staff you see on a day to day basis we also have our financial planner, business banking support, leasing/equipment finance and insurances. We are committed to increasing our presence in Elwood and I would encourage you to discuss any of your banking with our great staff.

This commitment to the Elwood area is also evidenced by the support given to local groups and organisations by way of sponsorship and community grants given. We endeavour to form a partnership with these groups and continued engagement will strengthen the group, assist the community and build the branch.

We must also acknowledge our fantastic staff in Leanne Harb, Jennifer Kane, June Clark and Barbara Gardiner. The level of friendly, professional service provided is always second to none. Thank you also to retired Manager, Barry Sholl for his assistance during the year.

Finally, we must thank the Elwood **Community Bank®** Board and individual Directors for their continued support and focus towards having the **Community Bank®** branch as a successful part of the Elwood Community.

Gary Scott
Manager

Director's report

For year ending 30 June 2008

Your Directors submit the financial 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:

Alastair Colin Chisholm
Chairman
Licensed Estate Agent
Director since 9 June 1999

Robert Toth
Company Secretary
Legal Practitioner
Director since 9 June 1999

Neil James Robbins
Director
Retired
Director since 19 November 2002

John Leslie Gilchrist
Director
Retired
Resigned 21 February 2008

Allan Haines
Director
Consultant
Director since 8 January 2007

Andrew Ashdown
Director
Company Director
Appointed 21 February 2008

Elizabeth Jean Johnstone
Director
Consultant
Director since 9 June 1999

Helen Elaine Shingler
Director
Consultant
Director since 27 February 2001

Christopher Herbert Sargood
Director
IT Specialist
Director since 9 June 1999

Alfred Joseph Camilleri
Director
Public Accountant
Director since 22 August 2002

Sally Gibson
Director
Marketing Executive
Appointed 21 February 2008

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

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was $239,480 (2007: $158,877).

	Year ended 30 June 2008	
Dividends	**Cents Per Share**	**$**
Dividends paid in the year	15	38,048

Significant changes in the state of affairs

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

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the 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 apart from the following:

Alfred J Camilleri & Associates, of which Mr Camilleri is a Director, received a fee of $1,800 (2007: $1,500) for preparation of the Company's Income Tax Return during the year ended 30 June 2008.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $3,525 (2007: $3,000) for preparation of the Company's Financial Statements during the year ended 30 June 2008.

Wisewoulds Lawyers, of which Robert Toth is a partner, received $747 (2007: $1,812) for the provision of legal services provided to the Company for the year ended 30 June 2008.

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.

Director's report continued

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.

Directors meetings

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

Number of meetings held:	**12**
Number of meetings attended:	
Alastair Colin Chisholm	12
Elizabeth Jean Johnstone	9
Robert Toth	3
Helen Elaine Shingler	10
Neil James Robbins	6
Christopher Herbert Sargood	11
Alfred Joseph Camilleri	11
John Leslie Gilchrist (resigned 21 February 2008)	6
Allan Haines	8
Sally Gibson (appointed 21 February 2008)	4
Andrew Ashdown (appointed 21 February 2008)	4

Company Secretary

Robert Toth has been the Company Secretary of Elwood Community Financial Services Ltd for 9 years.

He has been a legal practitioner since 1982 and is a member of the Australian Institute of Company Directors.

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 Helen Shingler, Alfred Camilleri and Gary Scott (Branch Manager);

(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.

Director's report continued

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

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

22 September 2008

The Directors
Elwood Community Financial Services Ltd
142 Ormond Road
ELWOOD VIC 3184

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Elwood Community Financial Services Ltd for the 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

Signed in accordance with a resolution of the Board of Directors at Elwood, Victoria on 22 September 2008.

Alastair Chisholm

Chairman

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenue from ordinary activities	2	754,126	647,313
Interest revenue	2	43,315	26,634
Employee benefits expense	3	(257,930)	(256,188)
Charitable donations and sponsorship		(60,556)	(43,916)
Depreciation and amortisation expense	3	(8,295)	(8,099)
Administration and other expenses from ordinary activities		(140,739)	(133,821)
Profit before income tax expense		**329,921**	**231,923**
Income tax expense	4	(90,441)	(73,046)
Profit after income tax expense		**239,480**	**158,877**
Earnings per share (cents per share)			
- basic for profit for the year	22	94.41	62.64
- diluted for profit for the year	22	94.41	62.64
- dividends paid per share	21	15.00	10.00

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets	6	763,277	594,633
Receivables	7	70,555	61,410
Total current assets		**833,832**	**656,043**
Non-current assets			
Property, plant and equipment	8	74,903	71,525
Investments	9	17,034	-
Intangible assets	10	2,000	4,000
Total non-current assets		**93,937**	**75,525**
Total assets		**927,769**	**731,568**
Current liabilities			
Payables	11	30,610	29,944
Current tax liability	4	33,474	44,048
Provisions	12	30,013	25,336
Total current liabilities		**94,097**	**99,328**
Total liabilities		**94,097**	**99,328**
Net assets		**833,672**	**632,240**
Equity			
Share capital	13	253,650	253,650
Retained earnings	14	580,022	378,590
Total equity		**833,672**	**632,240**

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		820,364	706,591
Cash payments in the course of operations		(529,265)	(492,300)
Interest received		43,315	26,634
Income tax paid		(101,015)	(40,676)
Net cash flows from operating activities	**15b**	**233,399**	**200,249**
Cash flows from investing activities			
Payments for property, plant and equipment		(9,673)	-
Payments for investments		(17,034)	-
Net cash flows used in investing activities		**(26,707)**	**-**
Cash flows from financing activities			
Dividends paid		(38,048)	(25,365)
Net cash flows used in financing activities		**(38,048)**	**(25,365)**
Net increase in cash held		**168,644**	**174,884**
Add opening cash brought forward		594,633	419,749
Closing cash carried forward	**15a**	**763,277**	**594,633**

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		253,650	253,650
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**253,650**	**253,650**
Retained earnings			
Balance at start of year		378,590	245,078
Profit after income tax expense		239,480	158,877
Dividends paid		(38,048)	(25,365)
Balance at end of year		**580,022**	**378,590**

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 and 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 22 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

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 2007 financial statements.

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
Leasehold Fit-Out	2.5%
Property, Plant & Equipment	7.5% to 33%

Impairment

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

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

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

Recoverable amount of assets

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

Investments

Investments in listed shares are recorded at cost.

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

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.

Comparative figures

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

Revenue

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

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Notes to the financial statements continued

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

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.

	2008 $	2007 $

Note 2. Revenue from ordinary activities

Operating activities		
- services commissions	754,126	647,313
Non-operating activities:		
- interest received	43,315	26,634
Total revenue from ordinary activities	**797,441**	**673,947**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	229,156	224,553
- superannuation costs	19,404	19,106
- workers' compensation costs	924	855
- other costs	8,446	11,674
	257,930	**256,188**

Notes to the financial statements continued

	2008 $	2007 $

Note 3. Expenses (continued)

	2008 $	2007 $
Depreciation of non-current assets:		
- plant and equipment	2,347	2,151
- leasehold improvements	3,948	3,948
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	8,295	**8,099**

Note 4. Income tax expense

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

	2008 $	2007 $
Prima facie tax on profit before income tax at 30%	98,976	69,577
Add tax effect of:		
- Non-deductible expenses	-	600
Add tax effect of:		
- Timing differences	711	2,869
- Prior year over provision	(9,246)	-
Current income tax expense	**90,441**	**73,046**
Income tax expense	**90,441**	**73,046**
Tax liabilities		
Current tax payable	**33,474**	**44,048**

Note 5. Auditors' remuneration

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

	2008 $	2007 $
- Audit or review of the financial report of the Company	**3,650**	**3,650**

Note 6. Cash assets

	2008 $	2007 $
Cash at bank and on hand	**763,277**	**594,633**

Notes to the financial statements continued

	2008 $	2007 $

Note 7. Receivables

Trade debtors	**70,555**	**61,410**

Note 8. Property, plant and equipment

Leasehold improvements		
At cost	77,420	77,420
Less accumulated depreciation	(20,791)	(16,843)
	56,629	**60,577**
Plant and equipment		
At cost	26,844	17,171
Less accumulated depreciation	(8,570)	(6,223)
	18,274	**10,948**
Total written down amount	**74,903**	**71,525**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning	60,577	64,525
Additions	-	-
Less depreciation expense	(3,948)	(3,948)
Carrying amount at end	**56,629**	**60,577**
Property, plant and equipment		
Carrying amount at beginning	10,948	13,099
Additions	9,673	-
Less depreciation expense	(2,347)	(2,151)
Carrying amount at end	**18,274**	**10,948**

Note 9. Investments

Listed shares at cost	**17,034**	**-**

Notes to the financial statements continued

	2008 $	2007 $

Note 10. Intangible assets

	2008 $	2007 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(8,000)	(6,000)
	2,000	**4,000**

Note 11. Payables

	2008 $	2007 $
Other creditors and accruals	**30,610**	**29,944**

Note 12. Provisions

	2008 $	2007 $
Employee benefits	30,013	25,336
Number of employees at year end	**5**	**5**

Note 13. Share capital

	2008 $	2007 $
253,650 ordinary shares fully paid of $1 each	**253,650**	**253,650**

Note 14. Retained earnings

	2008 $	2007 $
Balance at the beginning of the financial year	378,590	245,078
Profit after income tax	239,480	158,877
Dividends	(38,048)	(25,365)
Balance at the end of the financial year	**580,022**	**378,590**

Note 15. Cash flow statement

	2008 $	2007 $
(a) Reconciliation of cash		
Cash assets	**763,277**	**594,633**
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	239,480	158,877

Notes to the financial statements continued

	2008 $	2007 $
Note 15. Cash flow statement (continued)		
Non cash items		
- Depreciation	6,295	6,099
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(9,145)	(5,463)
- Increase (decrease) in payables	666	(3,196)
- Increase (decrease) in provisions	4,677	9,562
- Increase (decrease) in income tax payable	(10,574)	32,370
Net cash flows from operating activities	**233,399**	**200,249**

Note 16. Director and related party disclosures

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

Alastair Colin Chisholm

Elizabeth Jean Johnstone

Robert Toth

Helen Elaine Shingler

Neil James Robbins

Christopher Herbert Sargood

Alfred Joseph Camilleri

John Leslie Gilchrist (resigned 21 February 2008)

Allan Haines

Sally Gibson (appointed 21 February 2008)

Andrew Ashdown (appointed 21 February 2008)

No Director's fees have been paid as the positions are held on a voluntary basis.

The following related party transactions occurred during the year:

Alfred J Camilleri & Associates, of which Mr Camilleri is a Director, received a fee of $1,800 (2007: $1,500) for preparation of the Company's Income Tax Return during the year ended 30 June 2008.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $3,525 (2007: $3,000) for preparation of the Company's Financial Statements during the year ended 30 June 2008.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Wisewoulds Lawyers, of which Robert Toth is a partner, received $747 (2007: $1,812) for the provision of legal services provided to the Company for the year ended 30 June 2008.

Directors shareholdings	**2008**	**2007**
Alastair Colin Chisholm	10,000	10,000
Elizabeth Jean Johnstone	1,000	1,000
Robert Toth	-	-
Helen Elaine Shingler	5,000	5,000
Neil James Robbins	10,000	10,000
Christopher Herbert Sargood	-	-
Alfred Joseph Camilleri	-	-
John Leslie Gilchrist (resigned 21 February 2008)	2,000	2,000
Allan Haines	-	-
Sally Gibson (appointed 21 February 2008)	-	-
Andrew Ashdown (appointed 21 February 2008)	-	-

There was no movement in Directors shareholdings during the year. Each share held is valued at $1 and is fully paid.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in one geographic area being Elwood, Victoria.

Note 20. Corporate information

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

The registered office and principal place of business is:

142 Ormond Road,
Elwood VIC 3185

	2008 $	2007 $
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Previous year final		
Franked dividends - 15 cents per share (2007: 10 cents per share)	**38,048**	**25,365**
(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 at 30%	251,043	166,334
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	33,474	44,048
	284,517	**210,382**

The tax rate at which dividends have been franked is 30% (2007: 30%).

	2008 $	2007 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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 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 after income tax expense	**239,480**	**158,877**
Weighted average number of ordinary shares for basic and diluted earnings per share	**253,650**	**253,650**

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at 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:

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

	Carrying amount 2008 $	Carrying amount 2007 $
Cash assets	763,277	594,633
Receivables	70,555	61,410
Investments	17,034	-
	850,866	**656,043**

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.

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	30,610	(30,610)	(30,610)	-	-
	30,610	**(30,610)**	**(30,610)**	**-**	**-**
30 June 2007					
Payables	29,944	(29,944)	(29,944)	-	-
	29,944	**(29,944)**	**(29,944)**	**-**	**-**

Note 23. Financial risk management (continued)

(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	**2007**
	$	**$**
Fixed rate instruments		
Financial assets	729,051	585,754
Financial liabilities	-	-
	729,051	**585,754**
Variable rate instruments		
Financial assets	34,226	8,879
Financial liabilities	-	-
	34,226	**8,879**

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.

Note 23. Financial risk management (continued)

(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 Elwood 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.

Alastair Chisholm

Chairman

Signed at Elwood, Victoria on 22 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 ELWOOD COMMUNITY FINANCIAL SERVICES LIMITED

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 Elwood 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 designed 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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ABN 60 616 244 309

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 Elwood 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; 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: 22 September 2008

Elwood **Community Bank**® Branch
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