# annual report | 2009

Elwood Community
Financial Services Limited
ABN 38 087 802 775

Elwood **Community Bank**® Branch

# Contents

# Chairman's report

## For year ending 30 June 2009

What a year! This year we celebrated the 10th anniversary of the opening of Elwood's community-owned Bank - the first inner suburban **Community Bank®** branch.

Celebrations were enjoyed by the whole of the Elwood community and customers received a free gift the week before.

The evening before our 10th birthday street party, a celebration dinner for shareholders and supporters was held at a local restaurant.

The street party was held on the official day with a free sausage sizzle run by Elwood Lifesaving Club, face painting and balloons for the children. Bendigo and Adelaide Bank Ltd mascot Piggy handed out lollies and balloons and local traders kindly donated a giant hamper won by a local lady.

To close the celebrations we cut a huge birthday shared by locals.

Congratulations to all the people who helped make these functions so successful.

In the midst of the worldwide financial meltdown, it is quite remarkable what has been achieved by Elwood **Community Bank®** Branch over the last ten years.

With the disastrous Victorian bushfires early this year affecting so many communities your **Community Bank®** branch donated $50,000 to a special Community Enterprise™ Foundation appeal fund to help those who suffered. We are pleased to say that a major project has been planned for the Marysville area which will bring long-term benefits to the whole community.

**The financial year**

We have been impacted by the financial crisis, with our net profit down on the previous year's record result, but, taking all things into account we still finished the year with an excellent result.

Our income flows are now back to normal and your Board is pleased to announce a fully franked dividend of 15¢ per dollar share.

We are now in our last term of our original Franchise Agreement and we have agreed to renew the franchise for a further 15 years after the expiry of this final five year term.

Please take time to read our financial report and assess for yourself the strong financial position we are in.

In closing I would like to thank my fellow Directors for their continued support and advice and in particular the staff at your Elwood **Community Bank®** Branch.

**Alastair Chisholm**

**Chairman**

# Manager's report

## For year ending 30 June 2009

We have more than 4,500 accounts, over 3,000 customers and in the past 12 months we have continued to strengthen our relationship and presence within the local community.

We have seen the Elwood **Community Bank®** Branch increase its established business with assets to in excess of $80 million, which is pleasing given some difficult economic conditions throughout the year.

This commitment to the Elwood area is also evident with the support given to local groups and organisations through sponsorship and community grants. We endeavour to form a partnership with these groups and continued engagement will strengthen the group, assist the community and build the business. We have also strengthened our relationships with the City of Port Phillip and the Elwood Village Traders Association over the last 12 months and look forward to continuing this in the future.

We must acknowledge our fantastic staff in June Clark, Barbara Gardiner, Leanne Harb and Jennifer Kane. The level of friendly, professional service provided is always second to none and we thank them for their fantastic assistance and efforts throughout the year.

Finally, we must thank the 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**

# Bendigo and Adelaide Bank Ltd report

## For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank®** branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank®** branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank®** branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – $29 million paid out in community projects and nearly $11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects… the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

**Community Bank®** branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.

**Russell Jenkins**
**Chief General Manager**

# Directors' report

## For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

**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
Resigned 19 November 2008

**Allan Haines**
Director
Consultant
Director since 8 January 2007

**Andrew Ashdown**
Director
Company Director
Director since 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
Director since 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 Ltd.

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

# Directors' report continued

**Operating results**

The profit of the Company for the financial year after provision for income tax was $141,476 (2008: $239,480).

| Dividends | Year ended 30 June 2009<br>Cents per share | <br>$ |
|---|---|---|
| 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 (2008: $1,800) for preparation of the Company's Income Tax Return during the year ended 30 June 2009.
- Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $3,700 (2008: $3,525) for preparation of the Company's Financial Statements during the year ended 30 June 2009.
- Wisewoulds Lawyers, of which Robert Toth is a partner, received $293 (2008: $747) for the provision of legal services provided to the Company for the year ended 30 June 2009.
- Prior to 1 May 2009 no Directors' fees were paid as the positions were held on a voluntary basis. Monthly payment to the Chairman only commenced on 1 May 2009.

# Directors' report continued

**Director remuneration for the year ended 30 June 2009**

| | Primary benefits salary & fees 2009 $ | Primary benefits salary & fees 2008 $ |
|---|---|---|
| Alastair Chisholm | 909 | - |

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.

**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 | 11 |
| Elizabeth Jean Johnstone | 9 |
| Robert Toth | 4 |
| Helen Elaine Shingler | 10 |
| Neil James Robbins (resigned 19 November 2008) | 1 |
| Christopher Herbert Sargood | 10 |
| Allan Haines | 9 |
| Alfred Joseph Camilleri | 9 |
| Andrew Ashdown | 10 |
| Sally Gibson | 9 |

# Directors' report continued

**Company Secretary**

Robert Toth has been the Company Secretary of Elwood Community Financial Services Ltd since 1999.

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 and Alfred Camilleri;

(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

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

29 July 2009

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 2009, 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 29 July 2009.

**Alastair Chisholm**

**Chairman**

# Financial statements

## Income statement
## For year ending 30 June 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| Revenue from ordinary activities | 2 | 680,061 | 754,126 |
| Interest revenue | 2 | 54,031 | 43,315 |
| Employee benefits expense | 3 | (285,566) | (257,930) |
| Charitable donations and sponsorship | | (71,519) | (60,556) |
| Depreciation and amortisation expense | 3 | (8,129) | (8,295) |
| Administration and other expenses from ordinary activities | | (147,578) | (140,739) |
| **Profit before income tax expense** | | **221,300** | **329,921** |
| Income tax expense | 4 | (79,824) | (90,441) |
| **Profit after income tax expense** | | **141,476** | **239,480** |

| | | | |
|---|---|---|---|
| **Earnings per share (cents per share)** | | | |
| - basic for profit for the year | 22 | 55.78 | 94.41 |
| - diluted for profit for the year | 22 | 55.78 | 94.41 |
| - dividends paid per share | 21 | 15.00 | 15.00 |

The accompanying notes form part of these financial statements.

# Balance sheet
# As at 30 June 2009

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets | 6 | 875,277 | 763,277 |
| Receivables | 7 | 68,485 | 70,555 |
| **Total current assets** | | **943,762** | **833,832** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 68,774 | 74,903 |
| Investments | 9 | 17,034 | 17,034 |
| Intangible assets | 10 | - | 2,000 |
| **Total non-current assets** | | **85,808** | **93,937** |
| **Total assets** | | **1,029,570** | **927,769** |
| **Current liabilities** | | | |
| Payables | 11 | 30,881 | 30,610 |
| Current tax liability | 4 | 15,716 | 33,474 |
| Provisions | 12 | 45,873 | 30,013 |
| **Total current liabilities** | | **92,470** | **94,097** |
| **Total liabilities** | | **92,470** | **94,097** |
| **Net assets** | | **937,100** | **833,672** |
| **Equity** | | | |
| Share capital | 13 | 253,650 | 253,650 |
| Retained earnings | 14 | 683,450 | 580,022 |
| **Total equity** | | **937,100** | **833,672** |

The accompanying notes form part of these financial statements.

## Statement of cash flows
## As at 30 June 2009

| | Note | 2009 $ | 2008 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 750,052 | 820,364 |
| Cash payments in the course of operations | | (556,453) | (529,265) |
| Interest received | | 54,031 | 43,315 |
| Income tax paid | | (97,582) | (101,015) |
| **Net cash flows from operating activities** | **15b** | **150,048** | **233,399** |
| **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) | (38,048) |
| **Net cash flows used in financing activities** | | **(38,048)** | **(38,048)** |
| **Net increase in cash held** | | **112,000** | **168,644** |
| Add opening cash brought forward | | 763,277 | 594,633 |
| **Closing cash carried forward** | **15a** | **875,277** | **763,277** |

The accompanying notes form part of these financial statements.

## Statement of changes in equity
## As at 30 June 2009

| | Note | 2009<br>$ | 2008<br>$ |
|---|---|---|---|
| **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 | | 580,022 | 378,590 |
| Profit after income tax expense | | 141,476 | 239,480 |
| Dividends paid | | (38,048) | (38,048) |
| **Balance at end of year** | | **683,450** | **580,022** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ending 30 June 2009

## 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 29 July 2009.

**(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 2008 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.

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.

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

**Goods and services tax (continued)**

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.

**Interest bearing liabilities**

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

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

**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.

| | 2009<br>$ | 2008<br>$ |
|---|---|---|

## Note 2. Revenue from ordinary activities

| | | |
|---|---|---|
| **Operating activities** | | |
| - services commissions | 680,061 | 754,126 |
| **Non-operating activities:** | | |
| - interest received | 54,031 | 43,315 |
| **Total revenue from ordinary activities** | **734,092** | **797,441** |

## Note 3. Expenses

| | | |
|---|---|---|
| **Employee benefits expense** | | |
| - wages and salaries | 246,088 | 229,156 |
| - superannuation costs | 21,080 | 19,404 |
| - workers' compensation costs | 695 | 924 |
| - other costs | 17,703 | 8,446 |
| | **285,566** | **257,930** |

# Notes to the financial statements continued

| | 2009 $ | 2008 $ |
|---|---|---|

## Note 3. Expenses (continued)

| | 2009 $ | 2008 $ |
|---|---|---|
| **Depreciation of non-current assets:** | | |
| - plant and equipment | 2,853 | 2,347 |
| - leasehold improvements | 3,276 | 3,948 |
| **Amortisation of non-current assets:** | | |
| - intangibles | 2,000 | 2,000 |
| | **8,129** | **8,295** |

## Note 4. Income tax expense

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

| | 2009 $ | 2008 $ |
|---|---|---|
| Prima facie tax on profit before income tax at 30% | 66,390 | 98,976 |
| Add tax effect of: | | |
| - Timing differences | 4,547 | 711 |
| - Prior year under / (over) provision | 8,887 | (9,246) |
| **Current income tax expense** | **79,824** | **90,441** |
| **Income tax expense** | **79,824** | **90,441** |
| **Tax liabilities** | | |
| **Current tax payable** | **15,716** | **33,474** |

## Note 5. Auditors' remuneration

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

| | 2009 $ | 2008 $ |
|---|---|---|
| - Audit or review of the financial report of the Company | 3,650 | 3,650 |
| - Share registry services | 2,700 | - |
| | **6,350** | **3,650** |

# Notes to the financial statements continued

| | 2009 $ | 2008 $ |
|---|---|---|

## Note 6. Cash assets

| | | |
|---|---|---|
| **Cash at bank and on hand** | **875,277** | **763,277** |

## Note 7. Receivables

| | | |
|---|---|---|
| **Trade debtors** | **68,485** | **70,555** |

## Note 8. Property, plant and equipment

| | | |
|---|---|---|
| **Leasehold improvements** | | |
| At cost | 77,420 | 77,420 |
| Less accumulated depreciation | (24,067) | (20,791) |
| | **53,353** | **56,629** |
| **Plant and equipment** | | |
| At cost | 26,844 | 26,844 |
| Less accumulated depreciation | (11,423) | (8,570) |
| | **15,421** | **18,274** |
| **Total written down amount** | **68,774** | **74,903** |
| **Movements in carrying amounts** | | |
| **Leasehold improvements** | | |
| Carrying amount at beginning | 56,629 | 60,577 |
| Additions | - | - |
| Less depreciation expense | (3,276) | (3,948) |
| **Carrying amount at end** | **53,353** | **56,629** |
| **Property, plant and equipment** | | |
| Carrying amount at beginning | 18,274 | 10,948 |
| Additions | - | 9,673 |
| Less depreciation expense | (2,853) | (2,347) |
| **Carrying amount at end** | **15,421** | **18,274** |

# Notes to the financial statements continued

| | 2009<br>$ | 2008<br>$ |
|---|---|---|

## Note 9. Investments

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

## Note 10. Intangible assets

| | | |
|---|---|---|
| **Franchise fee** | | |
| At cost | 10,000 | 10,000 |
| Less accumulated amortisation | (10,000) | (8,000) |
| | **-** | **2,000** |

## Note 11. Payables

| | | |
|---|---|---|
| **Other creditors and accruals** | **30,881** | **30,610** |

## Note 12. Provisions

| | | |
|---|---|---|
| **Employee benefits** | **45,873** | **30,013** |
| **Number of employees at year end** | **5** | **5** |

## Note 13. Share capital

| | | |
|---|---|---|
| **253,650 ordinary shares fully paid of $1 each** | **253,650** | **253,650** |

## Note 14. Retained earnings

| | | |
|---|---|---|
| Balance at the beginning of the financial year | 580,022 | 378,590 |
| Profit after income tax | 141,476 | 239,480 |
| Dividends | (38,048) | (38,048) |
| **Balance at the end of the financial year** | **683,450** | **580,022** |

# Notes to the financial statements continued

| | 2009 $ | 2008 $ |
|---|---|---|

## Note 15. Cash flow statement

**(a) Reconciliation of cash**

| | | |
|---|---|---|
| **Cash assets** | **875,277** | **763,277** |

**(b) Reconciliation of profit after tax to net cash from operating activities**

| | | |
|---|---|---|
| Profit after income tax | 141,476 | 239,480 |
| Non cash items | | |
| - Depreciation | 6,129 | 6,295 |
| - Amortisation | 2,000 | 2,000 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | 2,070 | (9,145) |
| - Increase (decrease) in payables | 271 | 666 |
| - Increase (decrease) in provisions | 15,860 | 4,677 |
| - Increase (decrease) in income tax payable | (17,758) | (10,574) |
| **Net cash flows from operating activities** | **150,048** | **233,399** |

## 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 (resigned 19 November 2008)

Christopher Herbert Sargood

Allan Haines

Alfred Joseph Camilleri

Andrew Ashdown

Sally Gibson

## Note 16. Director and related party disclosures (continued)

Other than detailed below no Director or related entity has entered into a material contract with the Company.

Alfred J Camilleri & Associates, of which Mr Camilleri is a Director, received a fee of $1,800 (2008: $1,800) for preparation of the Company's Income Tax Return during the year ended 30 June 2009.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $3,700 (2008: $3,525) for preparation of the Company's Financial Statements during the year ended 30 June 2009.

Wisewoulds Lawyers, of which Robert Toth is a partner, received $293 (2008: $747) for the provision of legal services provided to the Company for the year ended 30 June 2009.

Prior to 1 May 2009 no Directors' fees were paid as the positions were held on a voluntary basis. Monthly payment to the Chairman only commenced on 1 May 2009.

**Director remuneration for the year ended 30 June 2009**

| | **Primary benefits salary & fees 2009 $** | **Primary benefits salary & fees 2008 $** |
|---|---|---|
| Alastair Chisholm | 909 | - |

| **Directors' shareholdings** | **2009** | **2008** |
|---|---|---|
| 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 (resigned 19 November 2008) | 10,000 | 10,000 |
| Christopher Herbert Sargood | - | - |
| Allan Haines | - | - |
| Alfred Joseph Camilleri | 2,000 | 2,000 |
| Andrew Ashdown | - | - |
| Sally Gibson | - | - |

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

A commercial business (bank guarantee) facility of $6,900 has been approved by Bendigo and Adelaide Bank Ltd.

There were no other 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

| | 2009 $ | 2008 $ |
|---|---|---|
| **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 (2008: 15 cents per share)** | **38,048** | **38,048** |

| | 2009 $ | 2008 $ |
|---|---|---|

## Note 21. Dividends paid or provided for on ordinary shares (continued)

**(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 | 332,801 | 251,043 |
| • Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 15,716 | 33,474 |
| | **348,517** | **284,517** |

The tax rate at which dividends have been franked is 30% (2008: 30%).

## 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:

| | 2009 $ | 2008 $ |
|---|---|---|
| **Profit after income tax expense** | **141,476** | **239,480** |
| **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:

| | **Carrying amount** | |
|---|---|---|
| | **2009** | **2008** |
| | **$** | **$** |
| Cash assets | 875,277 | 763,277 |
| Receivables | 68,485 | 70,555 |
| Investments | 17,034 | 17,034 |
| | **960,796** | **850,866** |

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 (2008: 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 23. Financial risk management (continued)

**(b) Liquidity risk (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 2009** | | | | | |
| Payables | 30,881 | (30,881) | (30,881) | – | – |
| | **30,881** | **(30,881)** | **(30,881)** | **–** | **–** |
| **30 June 2008** | | | | | |
| Payables | 30,610 | (30,610) | (30,610) | – | – |
| | **30,610** | **(30,610)** | **(30,610)** | **–** | **–** |

**(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 2009 $ | Carrying amount 2008 $ |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | - | - |
| | **-** | **-** |
| **Variable rate instruments** | | |
| Financial assets | 875,277 | 763,277 |
| Financial liabilities | - | - |
| | **875,277** | **763,277** |

## Note 23. Financial risk management (continued)

**(c) Market risk (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 2008 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.

There are no 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 2009 can be seen in the Income Statement.

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

# Directors' 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 2009 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 29 July 2009.

# 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 2009.

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 2009 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

Sinnott

**W. J. SINNOTT**
Partner
Bendigo

Date: 29 July 2009

Elwood **Community Bank**® Branch
142 Ormond Road, Elwood VIC 3184
Phone: (03) 9525 6577

Franchisee: Elwood Community Financial Services Limited
142 Ormond Road, Elwood VIC 3184
Phone: (03) 9525 6577
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Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR9029) (08/09)

Bendigo Bank