

annual report 2010

Elwood Community
Financial Services Limited
ABN 38 087 802 775

Elwood **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

Last financial year was impacted by the Global Financial Crisis. This financial year we are pleased to announce and record net profit after tax of \$250,092. This is a 77% increase on our previous financial year.

In light of this your Board has approved a fully franked dividend of 15c per share.

We have commenced the new financial year on a positive note with our brand new 'customer friendly' fit out, which both staff and customers are in the main thrilled about. This new style allows for future expansion and even better customer service. This has also allowed us to appoint a Customer Relationship Officer as a new position and we accordingly appointed Vince Camuglia. This appointment gives us the capacity to grow our business, particularly in light of the potential Gardenvale expansion in which we are working with their steering committee to make this a reality.

Community grants and sponsorships are our key to growing our community and at the same time, growing our business. This will be our key focus for our future as your **Community Bank**[®] branch develops itself as a community leader.

Without quality staff none of this would be a reality and Elwood **Community Bank**[®] Branch certainly has the best staff, to whom customers are continually giving praise.

The Board would like to recognise and thank them for their efforts above and beyond the normal work they have done over the last 12 months.

Long time staff member Barbara Gardiner has retired and we wish her and husband, Graham, all the best for a relaxing and enjoyable time together. Two new appointments have also been made last year, namely Fifi Pandelis and Vince, as previously mentioned. Both have shown that they will keep up the high standard of customer service that we pride ourselves on and I welcome them to the team.

To the rest of the staff, Gary Scott - Branch Manager, June Clark, Leanne Harb and Jennifer Kane, we thank you for your contribution to our success.

Finally to the Board of Director's, I thank you for your guidance and support over the journey and to our customers, I hope you continue to support our branch so we can continue to grow and prosper and do great things in your community.



Alastair Chisholm
Chairman

Manager's report

For year ending 30 June 2010

We have seen Elwood **Community Bank**[®] Branch increase its established business with assets to in excess of \$80 million, which is a great result and our focus this year will be to continue to grow even more. 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.

Elwood **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 Insurance products and a whole suite of day-to-day banking products and services. We are committed to increasing our presence in Elwood and I would encourage you to discuss any of your banking with our great staff. We would also welcome the opportunity to discuss any banking needs for your family and friends at anytime.

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 that we have distributed. We endeavour to form a partnership with these groups knowing that continued engagement will strengthen the group, assist the community and build the branch's success. 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.

I must also acknowledge our fantastic staff in Leanne Harb, Jennifer Kane, June Clark and Fifi Pandelis. Long time staff member Barbara Gardiner retired during the year and we thank her for her contribution for years of service. Fifi joined us as a replacement for Barbara and has picked up banking very well. The level of friendly, professional service provided is always second to none and something we pride ourselves on.

Finally, I 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

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

Now in its 13th year, the **Community Bank**[®] network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**[®] branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**[®] customers have been served by more than 1150 staff that are supported by almost 1700 volunteer Directors.

And these Directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**[®] concept.

All of this support has enabled the **Community Bank**[®] network to return more than \$40.3 million to assist local community groups and projects since the first **Community Bank**[®] branch opened in 1998.

These figures add up to a strong **Community Bank**[®] network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**[®] network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont **Community Bank**[®] Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**[®] network generates for its local communities.

Bendigo and Adelaide Bank Ltd report continued

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**[®] network.



Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

Directors

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

Alastair Colin Chisholm

Chairman
Licensed Estate Agent
Director since 9 June 1999

Elizabeth Jean Johnstone

Director
Consultant
Director since 9 June 1999

Robert Toth

Company Secretary
Legal Practitioner
Director since 9 June 1999

Helen Elaine Shingler

Director
Consultant
Director since 27 February 2001

Sally Gibson

Director
Marketing Executive
Director since 21 February 2008

Christopher Herbert Sargood

Director
IT Specialist
Director since 9 June 1999

Allan Haines

Director
Consultant
Director since 8 January 2007

Alfred Joseph Camilleri

Director
Public Accountant
Director since 22 August 2002

Andrew Ashdown

Director
Company Director
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 \$250,092 (2009: \$141,476).

Dividends	Year ended 30 June 2010	
	Cents per share	\$'000
Dividends paid in the year	15	38,048

Significant changes in the state of affairs

The Company is currently considering the findings of a feasibility study performed at Gardenvale in relation to opening a new branch.

In the opinion of the Directors there were no other 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

The Company branch has undergone major renovations which are currently nearing completion.

There are no other 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 \$1,850 (2009: \$1,800) for preparation of the Company's income tax return during the year ended 30 June 2010.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of \$3,700 (2009: \$3,700) for preparation of the Company's Financial Statements during the year ended 30 June 2010.

Wisewoulds Lawyers, of which Robert Toth is a partner, received \$8,594 (2009: \$293) for the provision of legal services provided to the Company for the year ended 30 June 2010.

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

Directors' benefits (continued)

Director remuneration for the year ended 30 June 2010

	Primary benefits salary & fees 2010 \$	Primary benefits salary & fees 2009 \$
Alastair Chisholm	6,000	1,000

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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' meetings

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

Director	Board meetings #	Audit committee meetings #
Alastair Colin Chisholm	11(12)	N/A
Elizabeth Jean Johnstone	10(12)	N/A
Robert Toth	4(12)	N/A
Helen Elaine Shingler	8(12)	2(2)
Christopher Herbert Sargood	12(12)	N/A
Allan Haines	6(12)	N/A
Alfred Joseph Camilleri	8(12)	2(2)
Andrew Ashdown	11(12)	N/A
Sally Gibson	6(12)	N/A

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

N/A - not a member of that Committee.

Directors' report continued

Company Secretary

Robert Toth has been the Company Secretary of Elwood Community Financial Services Limited 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



13 September 2010

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

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

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Elwood Community Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Elwood, Victoria on 13 September 2010.

Alastair Chisholm
Chairman

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	775,860	680,061
Interest revenue	2	37,237	54,031
Employee benefits expense	3	(253,751)	(285,566)
Charitable donations and sponsorship		(35,486)	(71,519)
Depreciation and amortisation expense	3	(7,437)	(8,129)
Administration and other expenses from ordinary activities		(163,129)	(147,578)
Profit before income tax expense		353,294	221,300
Income tax expense	4	(103,202)	(79,824)
Profit after income tax expense		250,092	141,476
Other comprehensive income		-	-
Total comprehensive income		250,092	141,476
Earnings per share (cents per share)			
- basic for profit for the year	22	98.60	55.78
- diluted for profit for the year	22	98.60	55.78

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	1,076,927	875,277
Receivables	7	74,541	68,485
Total current assets		1,151,468	943,762
Non-current assets			
Property, plant and equipment	8	71,210	68,774
Investments	9	17,763	17,034
Intangible assets	10	8,000	-
Total non-current assets		96,973	85,808
Total assets		1,248,441	1,029,570
Current liabilities			
Payables	11	45,275	30,881
Current tax liability	4	24,322	15,716
Provisions	12	29,700	45,873
Total current liabilities		99,297	92,470
Total liabilities		99,297	92,470
Net assets		1,149,144	937,100
Equity			
Share capital	13	253,650	253,650
Retained earnings	14	895,494	683,450
Total equity		1,149,144	937,100

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		847,329	750,052
Cash payments in the course of operations		(531,671)	(556,453)
Interest received		37,237	54,031
Income tax paid		(94,595)	(97,582)
Net cash flows from operating activities	15b	258,300	150,048
Cash flows from investing activities			
Payments for property, plant and equipment		(7,873)	-
Payments for intangible assets		(10,000)	-
Payments for investments		(729)	-
Net cash flows used in investing activities		(18,602)	-
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		201,650	112,000
Cash and cash equivalents at start of year		875,277	763,277
Cash and cash equivalents at end of year	15a	1,076,927	875,277

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
Share capital			
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		683,450	580,022
Profit after income tax expense		250,092	141,476
Dividends paid	21	(38,048)	(38,048)
Balance at end of year		895,494	683,450

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Elwood Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 13 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the financial statements continued

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

Income tax

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

Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Leasehold 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.

Notes to the financial statements continued

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

Goods and services tax (continued)

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

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

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

Employee benefits

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

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

Intangibles

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

Cash

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

For the purposes of the statement of cash flows, 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)

Loans and borrowings

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.

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010 \$	2009 \$
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Note 2. Revenue from ordinary activities

Operating activities

- services commissions	775,860	680,061
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Non-operating activities:

- interest received	37,237	54,031
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Total revenue from ordinary activities	813,097	734,092
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Note 3. Expenses

Employee benefits expense

- wages and salaries	223,283	261,948
- superannuation costs	20,561	21,080
- workers' compensation costs	802	695
- other costs	9,105	1,843
	253,751	285,566

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	3,469	2,853
- leasehold improvements	1,968	3,276
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	7,437	8,129

Note 4. Income tax expense

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

Prima facie tax on profit before income tax at 30%	105,988	66,390
Add tax effect of:		
- Timing differences	(4,165)	4,547
- Rebates	(253)	-
- Prior year under / (over) provision	1,632	8,887
Current income tax expense	103,202	79,824
Income tax expense	103,202	79,824
Tax liabilities		
Current tax payable	24,322	15,716

Note 5. Auditors' remuneration

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

- Audit or review of the financial report of the Company	3,900	3,650
- Share registry services	3,125	2,700
- Feasibility study services	5,000	-
	12,025	6,350

Notes to the financial statements continued

	2010 \$	2009 \$
Note 6. Cash and cash equivalents		
Cash at bank and on hand	1,076,927	875,277
Note 7. Receivables		
Trade debtors	74,541	68,485
Note 8. Property, plant and equipment		
Leasehold Improvements		
At cost	77,420	77,420
Less accumulated depreciation	(26,035)	(24,067)
	51,385	53,353
Plant and equipment		
At cost	34,717	26,844
Less accumulated depreciation	(14,892)	(11,423)
	19,825	15,421
Total written down amount	71,210	68,774
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning	53,353	56,629
Additions	-	-
Less depreciation expense	(1,968)	(3,276)
Carrying amount at end	51,385	53,353
Property, plant and equipment		
Carrying amount at beginning	15,421	18,274
Additions	7,873	-
Less depreciation expense	(3,469)	(2,853)
Carrying amount at end	19,825	15,421

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Investments		
Listed shares at cost	17,763	17,034
Note 10. Intangible assets		
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(2,000)	(10,000)
	8,000	-
Note 11. Payables		
Other creditors and accruals	45,275	30,881
Note 12. Provisions		
Employee benefits	29,700	45,873
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	683,450	580,022
Profit after income tax	250,092	141,476
Dividends	(38,048)	(38,048)
Balance at the end of the financial year	895,494	683,450

Notes to the financial statements continued

	2010 \$	2009 \$
Note 15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	1,076,927	875,277
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	250,092	141,476
Non cash items		
- Depreciation	5,437	6,129
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(6,056)	2,070
- Increase (decrease) in payables	14,394	271
- Increase (decrease) in provisions	(16,173)	15,860
- Increase (decrease) in income tax payable	8,606	(17,758)
Net cashflows from operating activities	258,300	150,048

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

Christopher Herbert Sargood

Allan Haines

Alfred Joseph Camilleri

Andrew Ashdown

Sally Gibson

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 \$1,850 (2009: \$1,800) for preparation of the Company's Income Tax Return during the year ended 30 June 2010.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of \$3,700 (2009: \$3,700) for preparation of the Company's Financial Statements during the year ended 30 June 2010.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Wisewoulds Lawyers, of which Robert Toth is a partner, received \$8,594 (2009: \$293) for the provision of legal services provided to the Company for the year ended 30 June 2010.

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 2010:

	Primary benefits salary & fees 2010 \$	Primary benefits salary & fees 2009 \$
Alastair Chisholm	6,000	1,000
Directors' shareholdings		
	2010	2009
Alastair Colin Chisholm	10,000	10,000
Elizabeth Jean Johnstone	1,000	1,000
Robert Toth	-	-
Helen Elaine Shingler	5,000	5,000
Christopher Herbert Sargood	-	-
Allan Haines	500	-
Alfred Joseph Camilleri	2,000	2,000
Andrew Ashdown	500	-
Sally Gibson	500	-

Allan Haines, Andrew Ashdown and Sally Gibson purchased 500 shares each during the year.

Other than above 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

The Company branch has undergone major renovations which are currently nearing completion.

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

Notes to the financial statements continued

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 where 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 Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

142 Ormond Road,
Elwood VIC 3185.

	2010	2009
	\$	\$

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 (2009: 15 cents per share)	38,048	38,048

(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	411,343	332,801
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	24,322	15,716
	435,665	348,517

The tax rate at which dividends have been franked is 30% (2009: 30%).

Notes to the financial statements continued

	2010	2009
	\$	\$

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:

Profit after income tax expense	250,092	141,476
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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	2009
	\$	\$
Cash assets	1,076,927	875,277
Receivables	74,541	68,485
Investments	17,763	17,034
	1,169,231	960,796

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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 (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank 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 2010					
Payables	45,275	(45,275)	(45,275)	-	-
	45,275	(45,275)	(45,275)	-	-
30 June 2009					
Payables	30,881	(30,881)	(30,881)	-	-
	30,881	(30,881)	(30,881)	-	-

(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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Variable rate instruments		
Financial assets	1,076,927	875,277
Financial liabilities	-	-
	1,076,927	875,277

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In 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 2010 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 13 September 2010.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ELWOOD COMMUNITY FINANCIAL SERVICES LIMITED

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

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Elwood Community Financial Services Limited, for the year ended 30 June 2010.

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

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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 13 September 2010

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

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The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10017) (07/10)