Elwood Community
Financial Services Limited

ABN 38 087 802 775

annual report 2011

Elwood **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

Results sometimes do not give an accurate measure to the true picture. Case in point is the net profit result for the financial year just ended with a net after tax profit of $116,247 compared to $250,092 for the previous year.

If you analyse the figures from the Annual Report, you will find that revenue was up $46,000 or 5% on the previous year, wages up by $100,000, donations and sponsorships up by $20,000, depreciation and amortisation up by $17,000, administration and operating expenses up by $107,000 and tax paid for the financial year was down by $50,000.

What does this all mean?

Well in fact it was a great year and we have built a strong platform on which to grow the business into the future.

The reasons are as follows:-

1. We paid approximately $235,000 for the complete modernisation of the branch mainly out of current income and some from our cash reserves which are at $1 million. This is a huge investment in the bank and for the wider local community.
2. Shareholders equity is up by $78,000 to $1,227,343.
3. The increase in wages is due to engaging extra staff in order to assist in the development of our branch and most importantly to continue to offer excellent customer service.
4. Administration and Operating expenses increase reflects the cost of running the new branch and this of course will enable us to grow the business into the future.
5. Lastly I would like to point out that most businesses tend to downsize when things get tough and then wonder why things go into decline. I and my fellow Directors can assure you that we do not take this view and our current strategy will pave the way for future growth.

Dividend for the year has been agreed by the Board at $0-15c per share fully franked.

Community grants and sponsorships remain our key difference and this enables us to better connect with our community. Last year in addition to our local grants and sponsorship, we donated $4,000 to both the Queensland and Victorian flood victims.

In relation to our exploration of a second site in Gardenvale, the feasibility study showed that for it to be a success we need to get a minimum $10 million on the books before we can make a decision to proceed. In this regard $4 million has been achieved and with the dedication and hard work of Carole Mackie and her steering committee this can become a reality.

In closing I would like to thank my fellow Board members and staff namely Gary Scott – Manager, June Clark, Leanne Harb, Fifi Pandelis, Vince Camuglia and our new staff member Breanne Foster as a replacement for Jennifer Kane who was on extended leave before resigning for personal reasons.

Alastair Chisholm
Chairman

Manager's report

For year ending 30 June 2011

The year ending 30 June 2011 was a successful year with both an increase in our deposit and lending growth. This has seen the Elwood **Community Bank®** Branch increase its established business with total footings or assets around $82.5 million. Having being opened for nearly 12 years now we have about 4,500 accounts and 3,000 customers and in the past 12 months we have continued to strengthen our relationship and presence within the local community. The branch has undergone a total refurbishment in July 2010 which is of an open plan and is more conducive to building further relationships with our customers. This has seen changes such as a state of the art coin counting machine and automatic cash dispensing machines for the staff. We have also spent considerable efforts working with the Gardenvale Steering Committee to develop business around the area of the proposed second site in Gardenvale.

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.

The 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, leasing/equipment finance and insurances. We are committed to increasing our presence in Elwood and surrounds 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.

We must also acknowledge our fantastic staff in June Clark, Leanne Harb and Fifi Pandelis. New staff Breanne Foster and Vince Camuglia joined us and have also fitted in very well after Jennifer Kane left us after many years of service. The level of friendly, professional service provided is always second to none.

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

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

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

Sally Gibson
Director
Marketing Executive
Director since 21 February 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

Carole Mackie
Director
Accountant
Director since 25 May 2011

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.

Review of operations

The profit of the Company for the financial year after provision for income tax was $116,247 (2010: $250,092).

Dividends	Year ended 30 June 2011 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 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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

The Company will continue its policy of providing banking services to the community.

Remuneration report

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 (2010: $1,850) for preparation of the Company's income tax return during the year ended 30 June 2011.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $3,700 (2010: $3,700) for preparation of the Company's Financial Statements during the year ended 30 June 2011.

Wisewoulds Lawyers, of which Robert Toth is a partner, received $1,868 (2010: $8,594) for the provision of legal services provided to the Company for the year ended 30 June 2011.

Other than a Chairman's Allowance no Directors' fees were paid as the positions were held on a voluntary basis.

Director Remuneration for the year ended 30 June 2011:

	Primary benefits salary & fees 2011 $	Primary benefits salary & fees 2010 $
Alastair Chisholm	6,000	6,000

Remuneration Report (continued)

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	9(12)	N/A
Robert Toth	4(12)	N/A
Helen Elaine Shingler	9(12)	2(2)
Christopher Herbert Sargood	8(12)	N/A
Allan Haines	5(12)	N/A
Alfred Joseph Camilleri	8(12)	2(2)
Andrew Ashdown	9(12)	N/A
Sally Gibson	9(12)	N/A
Carole Mackie	2(2)	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.

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

26 September 2011

The Directors
Elwood Community Financial Services Limited
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 Limited for the year ended 30 June 2011, 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 26 September 2011

Alastair Chisholm, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	821,932	775,860
Interest revenue	2	54,279	37,237
Employee benefits expense	3	(357,667)	(253,751)
Charitable donations and sponsorship		(53,966)	(35,486)
Depreciation and amortisation expense	3	(24,923)	(7,437)
Other expenses		(270,996)	(163,129)
Profit before income tax expense		**168,659**	**353,294**
Income tax expense	4	(52,412)	(103,202)
Profit after income tax expense		**116,247**	**250,092**
Other comprehensive income		-	-
Total comprehensive income		**116,247**	**250,092**
Earnings per share (cents per share)			
- basic for profit for the year	22	45.83	98.60
- diluted for profit for the year	22	45.83	98.60

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	999,681	1,076,927
Receivables	7	70,941	74,541
Current tax refund	4	3,095	-
Total current assets		**1,073,717**	**1,151,468**
Non-current assets			
Property, plant and equipment	8	206,626	71,210
Investments	9	17,763	17,763
Intangible assets	10	6,000	8,000
Total non-current assets		**230,389**	**96,973**
Total assets		**1,304,106**	**1,248,441**
Current liabilities			
Payables	11	42,250	45,275
Current tax liability	4	-	24,322
Provisions	12	34,513	29,700
Total current liabilities		**76,763**	**99,297**
Total liabilities		**76,763**	**99,297**
Net assets		**1,227,343**	**1,149,144**
Equity			
Share capital	13	253,650	253,650
Retained earnings	14	973,693	895,494
Total equity		**1,227,343**	**1,149,144**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		907,716	847,329
Cash payments in the course of operations		(710,455)	(531,671)
Interest received		54,279	37,237
Income tax paid		(79,829)	(94,595)
Net cash flows from operating activities	**15b**	**171,711**	**258,300**
Cash flows from investing activities			
Payments for property, plant and equipment		(210,909)	(7,873)
Payments for intangible assets		-	(10,000)
Payments for investments		-	(729)
Net cash flows used in investing activities		**(210,909)**	**(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		**(77,246)**	**201,650**
Cash and cash equivalents at start of year		1,076,927	875,277
Cash and cash equivalents at end of year	**15a**	**999,681**	**1,076,927**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
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		895,494	683,450
Profit after income tax expense		116,247	250,092
Dividends paid	21	(38,048)	(38,048)
Balance at end of year		**973,693**	**895,494**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 26 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

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.

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 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.

Notes to the financial statements continued

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

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.

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.

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.

Notes to the financial statements continued

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

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.

Comparative figures

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

	2011 $	2010 $

Note 2. Revenue from continuing operations

Operating activities		
- services commissions	821,932	775,860
Non-operating activities:		
- interest received	54,279	37,237
	876,211	**813,097**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	316,513	223,283
- superannuation costs	25,421	20,561
- workers' compensation costs	993	802
- other costs	14,740	9,105
	357,667	**253,751**
Depreciation of non-current assets:		
- plant and equipment	3,091	3,469
- leasehold improvements	19,832	1,968
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	24,923	**7,437**

Notes to the financial statements continued

	2011 $	2010 $

Note 4. Income tax expense

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

	2011 $	2010 $
Prima facie tax on profit before income tax at 30%	50,597	105,988
Add tax effect of:		
- Timing differences	2,177	(4,165)
- Rebates	(362)	(253)
- Prior year under provision	-	1,632
Current income tax expense	**52,412**	**103,202**
Income tax expense	**52,412**	**103,202**
Tax liabilities		
Current tax payable	**-**	**24,322**
Tax assets		
Current tax refundable	**3,095**	**-**

Note 5. Auditors' remuneration

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

	2011 $	2010 $
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	2,660	3,125
- Feasibility study services	-	5,000
	6,560	**12,025**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**999,681**	**1,076,927**

Note 7. Receivables

	2011 $	2010 $
Trade debtors	**70,941**	**74,541**

Notes to the financial statements continued

	2011 $	2010 $

Note 8. Property, plant and equipment

	2011 $	2010 $
Leasehold improvements		
At cost	207,595	77,420
Less accumulated depreciation	(19,686)	(26,035)
	187,909	**51,385**
Plant and equipment		
At cost	27,389	34,717
Less accumulated depreciation	(8,672)	(14,892)
	18,717	**19,825**
Total written down amount	**206,626**	**71,210**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning	51,385	53,353
Additions	207,595	-
Disposals	(51,239)	-
Less depreciation expense	(19,832)	(1,968)
Carrying amount at end	**187,909**	**51,385**
Property, plant and equipment		
Carrying amount at beginning	19,825	15,421
Additions	3,314	7,873
Disposals	(1,331)	-
Less depreciation expense	(3,091)	(3,469)
Carrying amount at end	**18,717**	**19,825**

Note 9. Investments

	2011 $	2010 $
Listed shares at cost	**17,763**	**17,763**

	2011 $	2010 $

10. Intangible assets

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

Note 11. Payables

Other creditors and accruals	**42,250**	**45,275**

Note 12. Provisions

Employee benefits	**34,513**	**29,700**
Movement in employee benefits		
Opening balance	29,700	45,873
Additional provisions recognised	24,561	17,176
Amounts utilised during the year	(19,748)	(33,349)
Closing balance	**34,513**	**29,700**

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	895,494	683,450
Profit after income tax	116,247	250,092
Dividends	(38,048)	(38,048)
Balance at the end of the financial year	**973,693**	**895,494**

	2011 $	2010 $

Note 15. Statement of cash flows

(a) Cash and cash equivalents

	2011 $	2010 $
Cash assets	**999,681**	**1,076,927**
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	116,247	250,092
Non cash items		
- Depreciation	22,923	5,437
- Amortisation	2,000	2,000
- Loss on sale of plant & equipment	52,570	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	3,600	(6,056)
- Increase (decrease) in payables	(3,025)	14,394
- Increase (decrease) in provisions	4,813	(16,173)
- Increase (decrease) in income tax payable	(27,417)	8,606
Net cash flows from operating activities	**171,711**	**258,300**

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
Carole Mackie

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 (2010: $1,850) for preparation of the Company's Income Tax Return during the year ended 30 June 2011.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $3,700 (2010: $3,700) for preparation of the Company's Financial Statements during the year ended 30 June 2011.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Wisewoulds Lawyers, of which Robert Toth is a partner, received $1,868 (2010: $8,594) for the provision of legal services provided to the Company for the year ended 30 June 2011.

Director remuneration for the year ended 30 June 2011:

	Primary benefits salary & fees 2011 $	Primary benefits salary & fees 2010 $
Alastair Chisholm	6,000	6,000

Directors' shareholdings	2011	2010
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	500
Alfred Joseph Camilleri	2,000	2,000
Andrew Ashdown	500	500
Sally Gibson	500	500
Carole Mackie	-	-

There was no movement in Directors' shareholdings during the year. Each share held is fully paid.

Note 17. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

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

There were no other contingent liabilities or assets 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

	2011 $	2010 $
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 (2010: 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	475,227	411,343
- Franking credits/(debits) that will arise from the payment/(refund) of income tax as at the end of the financial year	(3,095)	24,322
	472,132	**435,665**

The tax rate at which dividends have been franked is 30% (2010: 30%).

	2011 $	2010 $

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:

	2011 $	2010 $
Profit after income tax expense	**116,247**	**250,092**
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	
	2011 $	2010 $
Cash assets	999,681	1,076,927
Receivables	70,941	74,541
Investments	17,763	17,763
	1,088,385	**1,169,231**

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 majority of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2010: 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 2011					
Payables	42,250	(42,250)	(42,250)	–	–
	42,250	**(42,250)**	**(42,250)**	**–**	**–**
30 June 2010					
Payables	45,275	(45,275)	(45,275)	–	–
	45,275	**(45,275)**	**(45,275)**	**–**	**–**

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount 2011 $	Carrying amount 2010 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	999,681	1,076,927
Financial liabilities	-	-
	999,681	**1,076,927**

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 2010 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.

(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 2011 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 2011 and of their performance for the year ended on that date; and

 (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 26 September 2011.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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Liability limited by a scheme approved under Professional Standards Legislation

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 2011 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: 26 September 2011

Elwood **Community Bank®** Branch
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(BMPAR11088) (09/11)

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