Elwood **Community Bank**® Branch

2012

annual report

Elwood Community Financial Services Limited

ABN 38 087 802 775

Contents

Chairman's report

For year ending 30 June 2012

Building a **Community Bank®** branch

Building a growing community

Do these two things go together?
You bet they do.

Some 14 years ago we voted to bring banking services back to Elwood and this became our corporate mission. Also we wanted to bring back service into banking.

Both of these were quickly achieved and when we look back we realise that we have achieved a lot more than this.

To date we have returned approximately $750,000 to the community by way of sponsorships, grants, donations and dividends. As a result of this we can see what a difference this had made to our community. It has been your Board's vision to make the branch the leader in growing our community but it has been difficult to implement. Our local schools approached us to fund a study to form a Community Hub and this is exactly what we wished to do. This funding has been granted and two of our Board members will be on the committee to establish a Community Hub which in the end will grow and enrich the community.

I am pleased to announce that the dividend for this year has been agreed by the Board at 15c per share fully franked again.

It has been a strong year for growth in the business with our book of loans and deposits nearing the $100 million mark. We see the year ahead as being hard work but with our staff at the bank being arguably the best in the business, we shall continue to grow. A big thank you to Gary Scott and the staff.

Change has taken place in the Board structure with Sally Gibson retiring and we thank her for her dedication during her time on the Board. We also welcome Angela Turner, whose expertise is in marketing and social media. Angela will be a great asset to your Board.

In closing I would also wish to thank the other volunteer Board members for their dedication to making your **Community Bank®** branch the great business it is today.

Alastair Chisholm
Chairman

Manager's report

For year ending 30 June 2012

The year ending 30 June 2012 has seen our total footings or assets increase to around $97 million with both an increase in our deposit and lending growth. This has seen Elwood **Community Bank®** Branch increase its established business by about 13% in the financial year in both loans and deposits which is a fantastic result and we are aiming to surpass the $100 million mark during the coming year.

The branch open plan design that was introduced in July 2010 is more conducive to building further relationships with our customers and has been embraced by both customers and staff. The state of the art coin counting machine and automatic cash dispensing machines are now being utilised more and are very efficient.

We have now been opened for nearly 13 years now still have around 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. We also spent considerable efforts during the year working with the Gardenvale Steering Committee to develop business around the area of the proposed second site in Gardenvale. This project has been suspended for the moment as the current business levels would not support a viable operation but we continue to work with sponsored groups and traders from the Gardenvale area.

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 engagement with our sponsored groups will be a focus for the next year.

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 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, Breanne Foster, Fifi Pandelis and Vince Camuglia. The level of friendly, professional service provided is always second to none and my thanks to them.

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

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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
Resigned 25 January 2012

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.

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

Operating results

The profit of the company for the financial year after provision for income tax was $124,058 (2011: $116,247).

Financial position

The net assets of the company have increased by $86,010 from 30 June 2011 to $1,313,353 in 2012. The increase is largely due to improved operating performance of the company.

Dividends	Year ended 30 June 2012	
	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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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 (2011: $1,850) for preparation of the company's income tax return and $4,727 for the preparation of the company's Financial Statements during the year ended 30 June 2012.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $925 (2011: $3,700) for preparation of the company's Financial Statements during the year ended 30 June 2012.

Wisewoulds Lawyers, of which Robert Toth is a partner, received $893 (2011: $1,868) for the provision of legal services provided to the company for the year ended 30 June 2012.

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

Remuneration report (continued)

Director remuneration for the year ended 30 June 2012:

	Primary benefits	
	Salary & fees 2012 $	**Salary & fees 2011 $**
Alastair Chisholm	6,000	6,000

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.

Indemnifying Officers or Auditor

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	7(12)	N/A
Robert Toth	5 (12)	N/A
Helen Elaine Shingler	8 (12)	2 (2)
Christopher Herbert Sargood	8 (12)	N/A
Allan Haines	3(12)	N/A
Alfred Joseph Camilleri	10 (12)	2 (2)
Andrew Ashdown	8 (12)	N/A
Sally Gibson (resigned 25 January 2012)	6 (12)	N/A
Carole Mackie	10 (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.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Elwood on 14 September 2012.

Helen Shingler
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

14 September 2012

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

To the Directors of Elwood Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Dated at Bendigo, 14 September 2012

Financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	808,067	821,932
Interest revenue	2	54,968	54,279
Employee benefits expense	3	(351,622)	(357,667)
Depreciation and amortisation expense	3	(26,745)	(24,923)
Other expenses		(224,952)	(270,996)
Operating profit before charitable donations & sponsorships		**259,716**	**222,625**
Charitable donations and sponsorship		(79,227)	(53,966)
Profit before income tax expense		**180,489**	**168,659**
Income tax expense	4	(56,431)	(52,412)
Net profit for the year		**124,058**	**116,247**
Other comprehensive income		-	-
Total comprehensive income for the year		**124,058**	**116,247**
Earnings per share (cents per share)			
- basic for profit for the year	22	48.91	45.83
- diluted for profit for the year	22	48.91	45.83

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	1,044,371	999,681
Receivables	7	74,076	70,941
Current tax refund	4	74,432	3,095
Total current assets		**1,192,879**	**1,073,717**
Non-current assets			
Property, plant and equipment	8	183,885	206,626
Investments	9	17,763	17,763
Intangible assets	10	4,000	6,000
Total non-current assets		**205,648**	**230,389**
Total assets		**1,398,527**	**1,304,106**
Liabilities			
Current liabilities			
Payables	11	43,834	42,250
Provisions	12	41,340	34,513
Total current liabilities		**85,174**	**76,763**
Total liabilities		**85,174**	**76,763**
Net assets		**1,313,353**	**1,227,343**
Equity			
Issued capital	13	253,650	253,650
Retained earnings	14	1,059,703	973,693
Total equity		**1,313,353**	**1,227,343**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		885,739	907,716
Cash payments in the course of operations		(728,198)	(710,455)
Interest received		54,968	54,279
Income tax paid		(127,767)	(79,829)
Net cash flows from operating activities	**15b**	**84,742**	**171,711**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,004)	(210,909)
Net cash flows used in investing activities		**(2,004)**	**(210,909)**
Cash flows from financing activities			
Dividends paid		(38,048)	(38,048)
Net cash flows used in financing activities		**(38,048)**	**(38,048)**
Net increase/ (decrease) in cash held		**44,690**	**(77,246)**
Cash and cash equivalents at start of year		999,681	1,076,927
Cash and cash equivalents at end of year	**15a**	**1,044,371**	**999,681**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		973,693	895,494
Profit after income tax expense		124,058	116,247
Dividends paid	21	(38,048)	(38,048)
Balance at end of year		**1,059,703**	**973,693**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Elwood Community Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 14 September 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(d) Impairment 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.

(e) 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.

(f) 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.

Note 1. Summary of significant accounting policies (continued)

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

(m) 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.

(n) 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.

(o) Comparative figures

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue from continuing operations

Revenue from continuing activities		
- services commissions	808,067	821,932
Other revenue		
- interest received	54,968	54,279
	863,035	**876,211**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	305,986	316,513
- superannuation costs	25,629	25,421
- workers' compensation costs	272	993
- other costs	19,735	14,740
	351,622	**357,667**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	3,280	3,091
- leasehold improvements	21,465	19,832
Amortisation of non-current assets:		
- intangible assets	2,000	2,000
	26,745	**24,923**

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%	54,147	50,597
Add tax effect of:		
- Timing differences	2,646	2,177
- Rebates	(362)	(362)
Current income tax expense	**56,431**	**52,412**
Income tax expense	**56,431**	**52,412**
Tax assets		
Current tax refundable	**74,432**	**3,095**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report of the company	3,900	3,900
- Share registry services	2,748	2,660
	6,648	**6,560**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**1,044,371**	**999,681**

Note 7. Receivables

Trade debtors	**74,076**	**70,941**

	2012 $	2011 $

Note 8. Property, plant and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	207,595	207,595
Less accumulated depreciation	(41,152)	(19,686)
	166,443	**187,909**
Plant and equipment		
At cost	29,394	27,389
Less accumulated depreciation	(11,952)	(8,672)
	17,442	**18,717**
Total written down amount	**183,885**	**206,626**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning	187,909	51,385
Additions	-	207,595
Disposals	-	(51,239)
Less depreciation expense	(21,466)	(19,832)
Carrying amount at end	**166,443**	**187,909**
Property, plant and equipment		
Carrying amount at beginning	18,717	19,825
Additions	2,005	3,314
Disposals	-	(1,331)
Less depreciation expense	(3,280)	(3,091)
Carrying amount at end	**17,442**	**18,717**

Note 9. Investments

	2012 $	2011 $
Listed shares at cost	**17,763**	**17,763**

Note 10. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(6,000)	(4,000)
	4,000	**6,000**

	2012 $	2011 $

Note 11. Payables

Other creditors and accruals	**43,834**	**42,250**

Note 12. Provisions

Employee benefits	**41,340**	**34,513**
Movement in employee benefits		
Opening balance	34,513	29,700
Additional provisions recognised	22,557	24,561
Amounts utilised during the year	(15,730)	(19,748)
Closing balance	**41,340**	**34,513**

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	973,693	895,494
Profit after income tax	124,058	116,247
Dividends	(38,048)	(38,048)
Balance at the end of the financial year	**1,059,703**	**973,693**

Note 15. Statement of cash flows

(a) Cash and cash equivalents		
Cash assets	**1,044,371**	**999,681**
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	124,058	116,247
Non cash items		
- Depreciation	24,745	3,091
- Amortisation	2,000	2,000
- Loss on sale of plant & equipment	-	52,570

	2012 $	2011 $

Note 15. Statement of cash flows (continued)

Changes in assets and liabilities

- (Increase) decrease in receivables	(3,135)	3,600
- Increase (decrease) in payables	1,584	(3,025)
- Increase (decrease) in provisions	6,827	4,813
- Increase (decrease) in income tax payable	(71,337)	(27,417)
Net cash flows from operating activities	**84,742**	**151,879**

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 (resigned 25 January 2012)

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 (2011: $1,850) for preparation of the company's income tax return and $4,727 for the preparation of the company's Financial Statements during the year ended 30 June 2012.

Langton Management Consultants, of which Helen Shingler is a Director, received a fee of $925 (2011: $3,700) for preparation of the company's Financial Statements during the year ended 30 June 2012.

Wisewoulds Lawyers, of which Robert Toth is a partner, received $893 (2011: $1,868) for the provision of legal services provided to the company for the year ended 30 June 2012.

Director remuneration for the year ended 30 June 2012:

	Primary benefits	
	Salary & fees 2012 $	**Salary & fees 2011 $**
Alastair Chisholm	6,000	6,000

Note 16. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Alastair Colin Chisholm	2,000	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	-	
Andrew Ashdown	500	500
Sally Gibson (resigned 25 January 2012)	500	500
Carole Mackie	-	-

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

Note 17. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Elwood, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Notes to the financial statements (continued)

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

	2012 $	2011 $
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 (2011: 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	587,052	475,227
- Franking credits/(debits) that will arise from the payment/(refund) of income tax as at the end of the financial year	(74,432)	(3,095)
	512,620	**472,132**

The tax rate at which dividends have been franked is 30% (2011: 30%).

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	**124,058**	**116,247**
Weighted average number of ordinary shares for basic and diluted earnings per share	**253,650**	**253,650**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	1,044,371	999,681
Receivables	7	74,076	70,941
Investments	9	17,763	17,763
Total financial assets		**1,136,210**	**1,088,385**
Financial liabilities			
Payables	11	43,834	42,250
Total financial liabilities		**43,834**	**42,250**

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012 $	2011 $
Cash and cash equivalents	1,044,371	999,681
Receivables	74,076	70,941
Investments	17,763	17,763
	1,136,210	**1,088,385**

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.

None of the assets of the company are past due (2011: 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.

(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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	43,834	43,834	–	–
Total expected outflows	**43,834**	**43,834**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	1,044,371	1,044,371		
Investments	17,763	17,763	–	–
Receivables	74,076	74,076	–	–
Total anticipated inflows	**1,136,210**	**1,136,210**	**–**	**–**
Net (outflow)/inflow on financial instruments	**1,180,044**	**1,180,044**	**–**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	42,250	42,250	–	–
Total expected outflows	**42,250**	**42,250**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	999,681	999,681		
Investments	17,763	17,763	–	–
Receivables	70,941	70,941	–	–
Total anticipated inflows	**1,088,385**	**1,088,385**	**–**	**–**
Net (outflow)/inflow on financial instruments	**1,046,135**	**1,046,135**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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 2012 $	 2011 $
Fixed rate instruments		
Financial assets	1,011,491	-
Financial liabilities	-	-
	1,011,491	**-**

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount 2012 $	Carrying amount 2011 $
Floating rate instruments		
Financial assets	32,881	999,681
Financial liabilities	**32,881**	**999,681**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities are presented in the table below and can be compared to their carrying amounts as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Where possible, valuation information used to calculate fair value is extracted from the market with more reliable information available from markets that are actively traded. In this regard, fair value for listed securities are obtained from quoted market bid prices.

The company does not have any unrecognised financial instruments at year end.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair Values (continued)

	Note	2012		2011	
		Carrying amount $	Fair value $	Carrying amount $	Fair value $
Financial assets					
Cash & cash equivalents	(1)	1,044,371	1,044,371	999,681	999,681
Receivables	(1)	74,076	74,076	70,941	70,941
Investments	(2)	17,763	10,433	17,763	12,475
Total financial assets		**1,136,210**	**1,128,880**	**1,088,385**	**1,083,097**
Financial liabilities					
Payables	(1)	43,434	43,434	42,250	42,250
Total financial liabilities		**43,434**	**43,434**	**42,250**	**42,250**

The fair values disclosed above have been determined based on the following methodologies:

(1) Cash and cash equivalents, receivables and payables are short term instruments in nature whose carrying amount is equivalent to fair value. Payables exclude amounts provided for employee entitlements which is outside the scope of AASB 139.

(2) Fair values of investments are based on closing quoted bid prices at the end of the reporting period. The Directors have no intention of selling this investment in the future. Consequently such investments are recognised at cost in the Statement of Financial Position.

Financial risk management policies

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.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Financial risk management policies (continued)

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 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, the Directors of the company declare that:

In the opinion of the Directors:

1 the financial statements and notes of the company as set out on pages 9 to 29 are in accordance with the Corporations Act 2001 and:

   (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

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Helen Shingler,
Director

Signed at Elwood, Victoria on 14 September 2012.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

We have audited the accompanying financial report of Elwood Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Elwood Community Financial Services Limited is 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 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 14 September 2012

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

Franchisee: Elwood Community Financial Services Limited
142 Ormond Road, Elwood VIC 3184
Phone: (03) 9525 6577
ABN: 38 087 802 775
www.bendigobank.com.au/elwood

(BMPAR12123) (10/12)