annual report 2009


Inverloch & District Financial Enterprises Limited
ABN 13 117 672 590

Inverloch & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2009

The 2008/2009 financial year was a difficult one with constrained margins and slower business activity. Nevertheless, I am pleased to advise shareholders that the Company was able to achieve a profitable outcome in a year that fundamentally changed the world financial structure. The turnover for the year was $492,603 an increase of 11.1% on the previous financial year while profit before income tax fell by 3.8% to $47,155 and the net profit after tax falling by 9.65% to $31,852, thereby reducing the accumulated losses of the Company since establishment to $92,392, a further reduction of 26%.

Throughout the year the funds under management for the Inverloch & District **Community Bank®** Branch increased by 40% a credible result for our Branch Manager, Jackie Laurie and her staff, which provides a solid foundation for further growth in the forthcoming year. Despite the difficult business environment, the Company was still able to support a number of community organisations throughout the year. This has been aided by Bendigo and Adelaide Bank Ltd's Marketing and Development Fund and provides tangible community reward for the support provided to the **Community Bank®** branch by community organisations and members. As the community further increases their banking with the **Community Bank®** branch so will the opportunity for further community support and reward for our loyal shareholders.

In addition to the support of community organisations, the Board believed that it was essential to recognise the support provided by shareholders in establishing the Company and also supported the Inverloch & District **Community Bank®** Branch through transferring their banking business. Accordingly the Board resolved to pay shareholders an unfranked dividend payment of 2 cents per share as means of acknowledging their support.

The Board has operated for the better part of the year with five Directors and this has placed an additional burden on these Directors. However, I am pleased to advise that the Company has been able to recruit an additional Director and welcome back a former Director who has rejoined the Board and have also identified other community members who have expressed an interest in becoming involved.

Despite the difficulties posed by the prevailing international and national financial circumstances during the year, the Inverloch & District **Community Bank®** Branch has achieved growth and a further reduction in the accumulated losses sustained in the business establishment. If the recovery, which is now becoming evident, is sustained throughout the 2009/2010 financial year, a more positive outcome is anticipated for the Company.

Alan Gostelow

Chairman

Manager's report

For year ending 30 June 2009

After a tumultuous year for the finance industry we finished with a fantastic result of $62 million of combined business on the books which was ahead of budget and our exciting announcement of our first shareholder dividend. Our business has quadrupled in just three years and we are now looking after double the number of accounts which is something to be proud of in such a short period of time.

Our successful year can be attributed to the hard work put in by my dedicated team of staff and many thanks go to Allison Drury, Anngie Krom, Laura Rockall and Katie Thomas. Katie will be leaving us soon to start a family and we wish her well. We also farewelled Delia Perry earlier in the year. A couple of other people who assisted our branch achieve great results were our Financial Planner Dean Thompson, and our Business Bankers Theo Anagnostou and Shane Law.

During the 2008/2009 year we made many community contributions. A couple of notable ones are a contribution to the Bushfire Appeal to assist the Gippsland Region, to Inverloch Kongwak Football Netball Club to assist upgrade the netball facility, and the Inverloch Tennis Club to replace lighting and fences.

Another dedicated group of people that volunteer to work long hours to ensure we grow the business and help achieve community outcomes are our Chairman – Alan Gostelow and his team of Directors. I would like to acknowledge retiring Director John Payne for his contributions since we commenced over three years ago and welcome new Director Max Warlow who joined us in April.

Looking forward to 2010 we aim to build the business to become more profitable which will in turn ensure our community benefits. We plan to connect with our shareholders, customers and community groups to find out what our community wants and needs are, what the priorities are and where we can offer our assistance. With your support we will achieve our community outcomes.

Jackie Laurie

Manager

Directors' report

For year ending 30 June 2009

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

Directors

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

Alan Keith Gostelow
Chairman/Secretary
Age: 66
Business Executive
Ex-Army Officer and Senior Manager of various businesses. Graduate Diplomas Business Administration and Health Administration and Company Directors Diploma.
Interests in shares: 501

Terrence William Hall JP
Treasurer (Appointed 20 November 2008)
Age: 66
Retired
Former Chairman, Banking and Local Government Councillor, Shire President.
Interests in shares: 32,001

Francis Barry McGarvey
Director
Age: 72
Retired
Former Primary Producer
Interests in shares: 2,001

Kenneth Mervyn Aly
Director
Age: 62
Retired
Previous Vice President: Business Development and Acquisitions (SE Asia) for Ausplay, former Company MD. President Inverloch & District Lions Club.
Interests in shares: 5,000

Leanne Maree du Plessis
Director
Age: 45
Customer Service Officer
Extensive background in public Company. Member of Inverloch Surf Life Saving Club and Tennis Club.
Interests in shares: Nil

Maxwell William Warlow
Director (Appointed 30 April 2009)
Age: 60
Accountant/Consultant
FCPA, ACA - Former member of CPA Victoria Board, Former President Athletics Essendon Inc, Former Fitness Adviser to Essendon Football Club. Currently coach Athletic Essendon.

John Frederick Payne
Director (Resigned 25 June 2009)
Age: 59
Sales Manager
Former Caravan Park owner/operator. Current member of the CFA.
Interests in shares: 2,001

Directors' report continued

Directors (continued)

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

The Company Secretary is Alan Gostelow. Alan was appointed to the position of Secretary when the Company was formed on 22 December 2005. Alan is a Fellow of the Australian Institute of Company Directors and currently undertakes the Company Secretarial role for a Company Limited by Guarantee and was previously a Company Secretary for the Proprietary Limited Company.

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **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.

Operating results

The recent global financial crisis has adversely impacted the stability of the international financial system. The current global financial crisis presents a challenge for all financial institutions, including Bendigo and Adelaide Bank Ltd and in turn Inverloch Financial Enterprises Limited. The duration and extent of the global financial crisis is still largely unknown and continuation of these conditions could adversely affect the ongoing financial performance or financial condition of the Company's business as a franchisee of a **Community Bank®** branch.

The profit of the Company for the financial year after provision for income tax was:

Year ended 30 June 2009 $	Year ended 30 June 2008 $
31,852	35,241

Remuneration report

All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity. Therefore no specified Executives remuneration requires disclosure.

	Year ended 30 June 2009	
Dividends	**Cents**	**$**
Final dividends recommended:	2	15,000

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

There are no 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 facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

Terrence William Hall is the owner of the bank branch premises at 16c Williams Street, Inverloch. The amount of rent and outgoings paid in 2009 was: $26,000 (2008: $23,400).

No other 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' report continued

Directors' meetings

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

	Number of Board meetings eligible to attend	Number attended
Alan Keith Gostelow	11	11
Terrence William Hall (Appointed 20 November 2008)	7	6
Francis Barry McGarvey	9	5
Kenneth Mervyn Aly	11	6
Leanne Maree du Plessis	11	10
Maxwell William Warlow (Appointed 30 April 2009)	3	2
John Frederick Payne (Resigned 25 June 2009)	9	9

Non Audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' report continued

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Board of Directors at Inverloch, Victoria on 4 September 2009.

Alan Keith Gostelow	**Terrence William Hall**
Chairman	**Treasurer**

Auditor’s independence declaration

Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Auditor’s Independence Declaration

As lead Auditor for the audit of Inverloch & District Financial Enterprises Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

This declaration is in respect of Inverloch & District Financial Enterprises Limited.

David Hutchings
Auditor Partner

Andrew Frewin & Stewart

Bendigo

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenues from ordinary activities	3	492,603	443,138
Salaries and employee benefits expense		(249,929)	(233,590)
Advertising and promotion expenses		(40,007)	(28,892)
Occupancy and associated costs		(41,840)	(35,415)
Systems costs		(24,589)	(21,533)
Depreciation and amortisation expense	4	(10,964)	(10,256)
General administration expenses		(78,120)	(64,502)
Profit before income tax expense		**47,155**	**48,950**
Income tax expense	5	(15,303)	(13,709)
Profit for the period		**31,852**	**35,241**
Profit attributable to members of the entity		**31,852**	**35,241**
Earnings per share (cents per share)		**¢**	**¢**
- basic for profit for the year	20	4.25	4.7

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Assets			
Cash assets	6	306,293	382,391
Trade and other receivables	7	22,147	14,313
Financial assets	8	139,000	-
Total current assets		**467,440**	**396,704**
Non-current assets			
Property, plant and equipment	9	106,169	112,500
Intangible assets	10	39,500	41,500
Deferred tax assets	11	44,041	59,344
Total non-current assets		**189,710**	**213,344**
Total assets		**657,150**	**610,048**
Liabilities			
Current liabilities			
Trade and other payables	12	11,661	4,745
Provisions	13	8,333	-
Total current liabilities		**19,995**	**4,745**
Total liabilities		**19,995**	**4,745**
Net assets		**637,155**	**605,303**
Equity			
Contributed equity	14	729,547	729,547
Accumulated losses	15	(92,392)	(124,244)
Total equity		**637,155**	**605,303**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Receipts from customers		493,087	451,963
Payments to suppliers and employees		(464,880)	(421,813)
Interest received		24,130	20,568
Net cash provided by operating activities	**16**	**52,337**	**50,718**
Cash flows from investing activities			
Payments for property plant and equipment		(2,633)	(2,211)
Payments for investments		(125,802)	-
Net cash used in investing activities		**(128,435)**	**(2,211)**
Net increase/(decrease) in cash held		**(76,098)**	**48,507**
Cash at the beginning of the financial year		382,391	333,884
Cash at the end of the financial year	**6(a)**	**306,293**	**382,391**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Total equity at the beginning of the period		605,303	570,062
Net profit for the period		31,852	35,241
Net income/expense recognised directly in equity		-	-
Total profit/(loss) recognised by the entity		**637,155**	**605,303**
Dividends provided for or paid		-	-
shares issued during period		-	-
Costs of issuing shares		-	-
Total equity at the end of the period		**637,155**	**605,303**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

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 for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the 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 operation cash flows.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

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

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

Note 1. Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each branch.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

Note 1. Summary of significant accounting policies (continued)

Impairment of assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

Borrowings

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

Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement

(i) Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit and loss when they are held for trading for the purposes of short term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in profit and loss in the period in which they arise.

(ii) 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 using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Note 1. Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed equity

Ordinary shares are 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.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 2. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Ltd.

Note 2. Financial risk management (continued)

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo and Adelaide Bank Ltd mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo and Adelaide Bank Ltd mitigates this risk significantly.

(vi) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

	2009 $	2008 $

Note 3. Revenue from ordinary activities

	2009 $	2008 $
Operating activities:		
- services commissions	460,824	421,407
Total revenue from operating activities	**460,824**	**421,407**
Non-operating activities:		
- interest received	18,581	21,731
- unrealised gain on investments	13,198	-
Total revenue from non-operating activities	**31,779**	**21,731**
Total revenues from ordinary activities	**492,603**	**443,138**

Note 4. Expenses

	2009 $	2008 $
Depreciation of non-current assets:		
- plant and equipment	1,977	1,293
- leasehold improvements	6,987	6,963
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	10,964	**10,256**

Note 5. Income tax expense

	2009 $	2008 $
The components of tax expense comprise:		
- Current tax	-	-
- Deferred tax	1,579	-
- Recoupment of prior year tax losses	13,724	13,709
- Future income tax benefit attributable to losses	-	-
	15,303	**13,709**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	47,155	48,950
Prima facie tax on profit from ordinary activities at 30%	14,147	14,685

Notes to the financial statements continued

	2009 $	2008 $

Note 5. Income tax expense (continued)

	2009 $	2008 $
Add tax effect of:		
- non-deductible expenses	600	600
- timing difference expenses	205	(348)
- blackhole expenses	(1,228)	(1,228)
Current tax	13,724	13,709
Movement in deferred tax asset	1,579	-
	15,303	**13,709**

Note 6. Cash assets

	2009 $	2008 $
Cash at bank and on hand	26,293	92,391
Term deposits	280,000	290,000
	306,293	**382,391**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

	2009 $	2008 $
6(a) Reconciliation of cash		
Cash at bank and on hand	26,293	92,391
Term deposit	280,000	290,000
	306,293	**382,391**

Note 7. Trade and other receivables

	2009 $	2008 $
Trade receivables	21,748	8,365
Accrued income	399	5,948
	22,147	**14,313**

	Note	2009 $	2008 $

Note 8. Financial assets

	Note	2009 $	2008 $
Current:			
Available-for-sale financial assets	**8 (a)**	**139,000**	**-**
8 (a) Available-for-sale financial assets comprise:			
Current			
Listed investments, at fair value			
- shares in listed corporations		**139,000**	**-**

Note 9. Property, plant and equipment

	2009 $	2008 $
Plant and equipment		
At cost	29,347	26,714
Less accumulated depreciation	(11,417)	(9,440)
	17,930	**17,274**
Leasehold improvements		
At cost	108,499	108,499
Less accumulated depreciation	(20,260)	(13,273)
	88,239	**95,226**
Total written down amount	**106,169**	**112,500**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	17,274	18,567
Additions	2,633	-
Disposals	-	-
Less: depreciation expense	(1,977)	(1,293)
Carrying amount at end	**17,930**	**17,274**

Notes to the financial statements continued

	2009 $	2008 $

Note 9. Property, plant and equipment (continued)

Leasehold improvements

	2009 $	2008 $
Carrying amount at beginning	95,226	99,978
Additions	-	2,211
Disposals	-	-
Less: depreciation expense	(6,987)	(6,963)
Carrying amount at end	**88,239**	**95,226**
Total written down amount	**106,169**	**112,500**

Note 10. Intangible assets

Franchise fee

	2009 $	2008 $
At cost	10,000	10,000
Less: accumulated amortisation	(6,000)	(4,000)
Goodwill - business	35,500	35,500
	39,500	**41,500**

Note 11. Deferred tax

Deferred tax asset

	2009 $	2008 $
Opening balance	59,344	73,053
Deferred tax	(1,579)	-
Recoupment of prior year tax losses	(13,724)	(13,709)
Closing balance	**44,041**	**59,344**

Note 12. Trade and other payables

	2009 $	2008 $
Trade creditors	8,361	1,745
Other creditors & accruals	3,300	3,000
	11,661	**4,745**

Notes to the financial statements continued

	2009 $	2008 $

Note 13. Provisions

Provision for sponsorship	**8,333**	**-**

Note 14. Contributed equity

750,010 Ordinary shares fully paid of $1 each (2008: 750,010)	750,010	750,010
Less: equity raising expenses	(20,463)	(20,463)
	729,547	**729,547**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each shareholder has the right to vote at a general meeting.

On a show of hands or a poll, each shareholder attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder only one vote, regardless of the number of shares held, is to reflect the nature of the Company as a community based Company, by providing that all shareholders of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to shareholders in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The Franchise Agreement with Bendigo and Adelaide Bank Ltd contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act.

Note 14. Contributed equity (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the Company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 187. As at the date of this report, the Company had 209 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the Company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder's associate) to dispose of the number of shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

The Bendigo Stock Exchance (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the Company remains listed on the BSX.

In the Constitution, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

Notes to the financial statements continued

	2009 $	2008 $

Note 15. Accumulated losses

Balance at the beginning of the financial year	(124,244)	(159,485)
Net profit from ordinary activities after income tax	31,852	35,241
Balance at the end of the financial year	**(92,392)**	**(124,244)**

Note 16. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash used in operating activities

Profit from ordinary activities after income tax	31,852	35,241
Non cash items:		
- depreciation	8,964	8,256
- amortisation	2,000	2,000
- unrealised gain on investments	(13,198)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,833)	(5,958)
- (increase)/decrease in other assets	15,303	13,709
- increase/(decrease) in payables	6,916	(2,530)
- increase/(decrease) in provisions	8,333	-
Net cash flows provided by/(used in) operating activities	**52,337**	**50,718**

Note 17. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	4,200	4,000
- non audit services	3,256	2,240
	7,456	**6,240**

Note 18. Director and related party disclosures

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

Alan Keith Gostelow

Terrence William Hall (Appointed 20 November 2008)

Francis Barry McGarvey

Kenneth Mervyn Aly

Leanne Maree du Plessis

Maxwell William Warlow (Appointed 30 April 2009)

John Frederick Payne (Resigned 25 June 2009)

Terrence William Hall is the owner of the bank branch premises at 16c Williams Street. The amount of rent and outgoings paid in 2009 was: $26,000 (2008: $23,400).

No other Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2009**	**2008**
Alan Keith Gostelow	501	501
Terrence William Hall (Appointed 20 November 2008)	32,001	30,001
Francis Barry McGarvey	2,001	2,001
Kenneth Mervyn Aly	5,000	10,000
Leanne Maree du Plessis	-	-
Maxwell William Warlow (Appointed 30 April 2009)	-	-
John Frederick Payne (Resigned 25 June 2009)	2,001	2,001

	2009 $	**2008 $**

Note 19. Dividends paid or provided

a. Dividends proposed and not recognised as a liability

Unfranked dividend - 2 cents (2008: nil cents) per share	**15,000**	**-**

Notes to the financial statements continued

	2009 $	2008 $
Note 20. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	31,852	35,241

	2009 Number	2008 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	750,010	750,010

Note 21. Events occurring after the balance sheet date

Since the end of the financial year, the Company has sold shares held in listed corporations for the consideration of $156,000.

Note 22. Contingent liabilities

Estimates of the potential financial effect of contingent liabilities which may become payable:

Sponsorship agreement

The entity has entered into a ten year sponsorship agreement with the Inverloch Surf Life Saving Club Incorporated. The entity has undertaken as part of the agreement to provide a contribution of $100,000 (plus GST) towards the construction of a new clubhouse for the Surf Life Saving Club, once self and government funding to the same value have been fully expended on the project.

In the event that the construction of the clubhouse is not able to proceed and the Surf Life Saving Club has met its obligations under the agreement, the entity will make a donation equivalent to 5% of the total contribution ($5,000) for each expired year of the agreement. This is a definite obligation and has been recognosed as a liability in the balance sheet.

Note 23. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being Inverloch and the surrounding district of Victoria.

Note 24. Registered office/principal place of business

The registered office and principal place of business is:

Registered office
10 Williams Street,
Inverloch VIC 3996

Principal place of business
16C Williams Street,
Inverloch VIC 3996

Note 25. Financial instruments

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 the year end.

Credit risk

The maximum exposure to credit risk at balance 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.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Fixed interest rate maturing in: Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 %	2008 %
Financial assets												
Cash assets	26,293	92,191	-	-	-	-	-	-	-	-	1.34	0.05
Term deposit	-	-	280,000	290,000	-	-	-	-	-	-	5.36	6.92
Receivables	-	-	-	-	-	-	-	-	22,147	14,313	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	11,661	4,745	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Inverloch & District Financial Enterprises Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the Board of Directors.

Alan Keith Gostelow
Chairman

Terrence William Hall
Treasurer

Signed on 4 September 2009.

Independent audit report

AFS
partners in success
Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Inverloch & District Financial Enterprises Limited

We have audited the accompanying financial statements of Inverloch & District Financial Enterprises Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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. These Auditing 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation 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 entity'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Inverloch & District Financial Enterprises Limited is in accordance with the Corporations Act 2001 including

   (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;

   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;

2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Inverloch & District Financial Enterprises Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 4th day of September 2009

BSX report

In addition to information provided in accordance with statutory requirements (Corporations Act S314) of a Financial Report, Directors' Report and Auditors Report all BSX listed entities are obliged to report on a number of other items in accordance with BSX Listing Rule 3.17. Accordingly the Directors of Inverloch & District Financial Enterprises report on those items not included elsewhere in the Annual Report as follows:

(a) This information is current as at 7 October 2009.

(b) There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents contained in this Annual Report.

(c) The Company ascribes to the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" insofar as they apply to a small listed entity. In particular the Company has established a Finance Audit & Governance Committee of the Board to fulfil its responsibilities to Bendigo and Adelaide Bank Ltd, shareholders, customers and other stakeholders by exercising due care, diligence and skill.

(d) The Company has no substantial shareholders.

(e) The Company has 212 ordinary shareholders for 750,010 shares.

(f) Shareholders are entitled to one vote only for their entire shareholding.

(g) The number of shareholders, by size of holding is:

Size of holding	No. of holders	No. of shares
1 -1,000	106	67,653
1,001 - 5,000	79	237,853
5,001 - 10,000	21	209,500
10,001 - 100,000	6	235,004
100,001 and over	Nil	Nil
Total	**212**	**750,010**

(h) The Company share register records 3 shareholders who hold non marketable share parcels.

BSX report continued

(i) Details of the 10 largest holders of shares are:

Rank	Shareholder	No. of ordinary shares	% of ordinary shares
1	Croweaters Super Fund a/c	50,001	6.7%
2	South Coast Super Fund a/c	50,000	6.7%
3	Mr Geoff & Mrs Rosemary Brooks	50,000	6.7%
4	Hall Family Super Fund a/c	30,001	4.0%
5	Walsh Family Super Fund a/c	30,001	4.0%
6	Jeeralang Design P/L Super Fund a/c	25,001	3.3%
7	Mrs Denise Beard	10,000	1.3%
8	A&P Brown Family Super Fund	10,000	1.3%
9	Mr Grant Caldwell	10,000	1.3%
10	Mr Vincent & Mrs Miriam Dowling	10,000	1.3%
	Total	**275,004**	**36.7%**

(j) The Company Secretary is Alan Gostelow.

(k) The telephone number of the registered office is: (03) 5674 2922.

(l) The address and telephone number for the Company's share registry is:

I&DFEL Share Registry
AFS & Associates
61-65 Bull Street,
Bendigo VIC 3550
Phone: (03) 5443 0344
Email: shareregistry@afsbendigo.com.au

(m) The Company has no restricted securities on issue.

(n) The Company has issued 750,010 shares to 212 shareholders.

Inverloch & District **Community Bank**® Branch
16C Williams Street, Inverloch VIC 3996
Phone: (03) 5674 2800 Fax: (03) 5674 3077

Franchisee: Inverloch & District Financial Enterprises Limited
10 Williams Street, Inverloch VIC 3996
Phone: (03) 5674 2800 Fax: (03) 5674 3077
ABN: 13 117 672 590

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR9087) (09/09)