

**ANNUAL REPORT 2008**



Charlton & District  
**Community Bank** Branch **Bendigo Bank**



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# Chairman's report

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For year ending 30 June 2008

Financial year 2007/08 has been our Company's best so far with total business on our books at 30 June of \$46 million. Consistent monthly profits were achieved resulting in a net profit result of \$101,525. This profit result allowed the Directors to approve payment of a five cent per share dividend to our patient shareholders, our very first. Providing good growth in our business can be maintained and our costs contained, your Directors believe regular dividends will be paid in the future.

The other side of our business is the support we provide to a number of community organisations throughout Charlton and surrounding districts. During this past financial year, your Company has distributed almost \$40,000 by way of grants and sponsorships. Included in this list are such things as \$5,000 towards the Rex Theatre purchase, a new car for Charlton College Pre-Driver Education. A full list of grants and sponsorships is included in this report.

The **Community Bank**<sup>®</sup> model was developed to give communities an opportunity to own their own banking business, thus retaining the profits from the business for their own benefit. It has proved to be a very powerful model – 219 **Community Bank**<sup>®</sup> branches are now open across Australia, providing service, employment and rewards to their communities.

Our business has achieved the goals set out in our original prospectus, but it is imperative for our growth to continue; our costs of doing business continue to rise and must be provided for. Our staff and Directors are constantly working to provide the best service to clients, both old and new. The support of our shareholders in helping to promote our **Community Bank**<sup>®</sup> branch is appreciated.

## **Change of business name**

A significant part of our business growth is now coming from outside the immediate Charlton district. Your Directors are considering a change of our business name to North Central Financial Services Ltd, which would allow our Company to better present ourselves to other districts. In time, we may require to raise additional capital to finance improved banking service and community benefits in neighboring towns. Charlton & District **Community Bank**<sup>®</sup> Branch name will not change, just that of the present Company name of Charlton & District Financial Services Ltd.

A number of other **Community Bank**<sup>®</sup> Companies have changed business names from their early narrow beginnings, as the path of their business growth has taken place. Your Directors are unanimous in support of this change and ask our shareholders to vote in favour of the resolution at our Annual General Meeting (AGM) on 22 October.

## **Franchise agreement**

Our fifth birthday occurs on 17 October. It also requires the renewal of our Franchise Agreement with Bendigo Bank. The Directors have finalised the renewal procedure at a cost of \$60,000 for the next five years, the agreement also allows for a further two, five year options.

# Chairman's report continued

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## **Security upgrade**

To comply with Bendigo Bank OH&S security standards, the Board is required to install 24 hour CCTV system to monitor all aspects of activities both inside and outside our premises. This system is designed to safeguard our business and provide a secure workplace for our staff. The cost to our business is approximately \$19,000.

## **Staff**

Increasing business has meant extra duties for our staff. Tracy Dalrymple's position has been upgraded to Customer Relationship Officer. Tracy will provide back up support for Manager Brett Schofield. Penelope Grant has been promoted to Senior Customer Service Officer and will work an additional day per week. Tracy and Penelope have served all our first five years, their skills and personalities are of great value. Leanne Gretgrix is the other member of the excellent team in our branch.

## **Retiring Directors**

Retiring Directors this year are Lesley Cox, Barry McKenzie and David Pollard.

Barry and David being eligible are available for re-election and are supported by the Board.

Lesley Cox does not seek re-election. Lesley became a member of the original steering committee that worked to establish this business and continued on as a Director as we strived to make Charlton **Community Bank**<sup>®</sup> Branch a success. It has meant more than six years of work and dedication from Lesley, who has been a valuable contributor all that time, using her experience and wise words to guide us along. Thank you Lesley.

Long serving Director Chris Byrne resigned his position in November. We thank Chris for his six year contribution. The Board appointed Robin McCrae as a Director to complete Chris's term; his appointment requires confirmation by shareholders at the AGM.

Nominations for Directors positions have been advertised in the local press and will be voted on at our AGM. Voting on all resolutions is by way of proxy, by completing the voting papers, or in person at the AGM. Voting papers must be returned to the Company Secretary by the due date.

## **Company Secretary**

Mr John Harley has been appointed as Company Secretary, beginning his duties at our May meeting.

## **Fifth birthday celebrations**

The Directors have decided to celebrate our fifth birthday in conjunction with the Rex Theatre's 70th birthday, and the Charlton Rotary Art Show on Friday 10 October, even though our birthday is 17 October. Celebrations will include petrol discounts, various giveaways and prizes.

## **Wycheproof and Donald agencies**

Bendigo Bank transferred management of the Donald Bendigo Bank Agency to our business at the end of June. With full on-line facilities, the change over of the agency has caused little problem. We have also provided the Wycheproof business with similar on-line computers. Whilst our business does not derive a big return from these agencies, we believe it is important to provide our clients with the best modern service.

# Chairman's report continued

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## **Ban the Bulb campaign**

During November 2007 our Board facilitated a Ban the Bulk campaign in Charlton. In conjunction with Charlton Lion's Club and other organisations, 4500 energy saving light bulbs were installed free to Charlton citizens resulting in over \$13,000 being paid to following local groups:

- Charlton Football Club
- Charlton Cricket Club
- Charlton Netball Club
- Charlton OASIS
- Charlton Basketball Club
- Charlton Lions Club
- Charlton Tennis Club

As we celebrate our fifth birthday, it is interesting to reflect back over those five years and the period leading up to our birth. Charlton community has managed to establish and build a now profitable business, providing employment, service and dividends for shareholders, plus financial support to many community functions and organisations. It's an achievement of which we can all be proud and I believe the Company will go on to support Charlton and districts for many years to come. During 2008, Bendigo Bank celebrated 150 years of operation, **Community Bank**® 10 years, and Charlton five years – we have a long road ahead.



**Peter Whykes**

**Chairman**

## **Clubs and organisations supported over the past five years**

Bendigo Pioneers	Charlton Historical Society	NCLLEN
Birchip Football Club	Charlton Hockey Club	North Central Garden Club
Birchip Friends of the Library Committee	Charlton Ladies Golf	Old Time Dance Club
Birchip Quarter Horse Cup	Charlton Landcare	Pre-Driver Ed
Birchip-Watchem Football Club	Charlton Lions Club	Rex Cinema
Central Vic Blazers	Charlton Netball Club	St.Joseph's PS
Charlton 2020	Charlton Pony Club	Traveller's Rest
Charlton A&P Society	Charlton Pre-School	Wedderburn Alive
Charlton Angling Club	Charlton Rotary Club	Wycheproof 2010
Charlton Badminton Club	Charlton RSL	Wycheproof Bowls Club
Charlton Bowling Club	Charlton Tennis Club	Wycheproof Golf Club
Charlton College	Charlton Trotting Club	Wycheproof Ladies Golf
Charlton Cricket Club	Charlton Youth Group	Wycheproof Narraport CC
Charlton Football Club	Donald Football Club	Wycheproof Netball Club
Charlton Forum	Donald Show Society	Wycheproof Scouts
Charlton Golf Club	Loddon Mallee Community Leadership Program	Wycheproof-Narraport Football Club

# Manager's report

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For year ending 30 June 2008

We've had another very successful and enjoyable year, with your **Community Bank**<sup>®</sup> branch business now growing to over \$46 million in total footings as at 30 June 2008, from \$40 million as at 30 June 2007. Our business is now generating regular monthly profits, allowing us to invest in some significant and important community projects.

Our dream of \$50 million in total business at our fifth birthday may be in sight. It will still take a lot of hard work by all involved and hopefully our existing clients, shareholders and Charlton and district communities providing further business opportunities, which we have appreciated the past five years.

As at 30 June 2008 our lending business showed \$15.5 million and our deposits \$26 million, with other business \$4.5 million. Other business includes our agribusiness, financial planning and superannuation clients. Our footings have continued to increase the past 12 months, as reflected in above figures.

Our customer account numbers has increased from 2118 as at 30 June 2007 to 2572 as at 30 June 2008, signifying how our business is growing which has meant the need to increase staff hours. This has also proven to be a positive for the success and progress of our business and staff. Tracy Dalrymple has now been promoted to Customer Relationship Officer and Penelope Grant's position has been upgraded to Senior Customer Service Officer as well as her hours increasing by one day per week. Tracy is still full time and Penelope will now work four days per week, still filling one of our part time positions. Leanne Gretgrix is our other part time Customer Service Officer. She has developed quickly and provides great knowledge, service and banking skills to our clients. Leanne currently works two days per week, but this may also increase in the next 12 months as our business continues to grow.

Our aim is to continue to grow our business, as we start to expand to surrounding communities and to provide all our clients with superior banking solutions. We can offer clients complete financial solutions and that personal local service that suits their needs. We strive on increasing our relationships with existing and new clients. The more clients have with us the more we can invest in their communities.

The business has achieved a lot of goals over the past 12 months and made some major contributions to community groups to enable them to achieve their goals. This has been very rewarding and satisfying, as a local community business generating profits through very tough times, then returning these profits back into community activities and groups to help them accomplish their ambitions.

Another very exciting occurrence will be our first dividend distribution to our shareholders. We anticipate a dividend being paid around October/November this year of 5c per share. Confirmation of our commitment to reward our valued Shareholders within the first five years of our operation.

So, it's still exciting times for our business going forward. We hope the journey ahead will provide some favourable seasons and in turn provide our community with increased trade and capital. We must continue to support our local **Community Bank**<sup>®</sup> branch and all our local businesses in our communities. Let's keep our communities vibrant and successful.

## Manager's report continued

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I'd like to sincerely thank and congratulate our customers, especially my staff and the Board, our shareholders and everyone else involved with our business over the past five years. Lets celebrate our fifth birthday this October and kick start the next voyage of our fantastic local **Community Bank**<sup>®</sup> branch.

Jump on board!

A handwritten signature in black ink, appearing to read 'Brett Schofield', written in a cursive style.

**Brett Schofield**  
**Manager**

# Director's report

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For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

## Directors

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

**Peter Wood Whykes**

Chairman  
Occupation: Farmer

**Lesley Elizabeth Cox**

Director  
Occupation: Retired

**Barry John McKenzie**

Director  
Occupation: Teacher

**David Thomas Pollard**

Director  
Occupation: Mechanic

**Pamela Joy Wright**

Director  
Occupation: Farmer

**Christopher Byrne** (retired 19 November 2007)

Director  
Occupation: Small Business Proprietor

**Russell Andrew English**

Director  
Occupation: Retired

**Matthew Simon Peck**

Director  
Occupation: Teacher

**Peter Rogan**

Vice Chairman  
Occupation: Farmer

**Robin McRae** (appointed 1 January 2008)

Director  
Occupation: Employment Consultant

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**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

## Operating results

Operations have performed in line with expectations. The net profit of the Company for the financial year after provision for income tax was \$68,031 (2007: \$28,463).

Dividends	Period ended 30 June 2008	
	Cents per share	\$
Final dividends recommended:	5	27,501



# Director's report continued

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## **Significant changes in the state of affairs**

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

## **Significant events after the balance date**

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

## **Likely developments**

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

## **Directors' benefits**

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

## **Indemnification and insurance of Directors and Officers**

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

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

# Director's report continued

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## Directors meetings

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

<b>Number of meetings held:</b>	<b>12</b>
<hr/>	
<b>Number of meetings attended:</b>	
<hr/>	
Peter Wood Whykes	12
<hr/>	
Christopher Byrne (resigned 19 November 2007)	2
<hr/>	
Lesley Elizabeth Cox	12
<hr/>	
Russell Andrew English	9
<hr/>	
Barry John McKenzie	8
<hr/>	
Matthew Simon Peck	12
<hr/>	
David Thomas Pollard	8
<hr/>	
Peter Rogan	11
<hr/>	
Pamela Joy Wright	10
<hr/>	
Robin McRae (appointed 1 January 2008)	3
<hr/>	

## Company Secretary

John Harley was appointed as Company Secretary in April 2008. John is currently Principal of Charlton College and he has had extensive experience at committee level in a number of community organisations, including acting as Secretary.

## 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 Peter Whykes, Brett Schofield, David Pollard & Simon Peck;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty  
Chartered Accountants

**Richmond Sinnott & Delahunty**  
Chartered Accountants



172 McIvor Road  
PO Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

**Auditor's independence declaration**

In relation to our audit of the financial report of Charlton & District Financial Services Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read 'W Sinnott'.

**Warren Sinnott**  
**Partner**

Richmond Sinnott & Delahunty

25 August 2008

Signed in accordance with a resolution of the Board of Directors at Charlton on 25 August 2008.

A handwritten signature in black ink, appearing to read 'P Whykes'.

**Peter Whykes**  
**Chairman**

# Financial statements

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## Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	2	456,028	354,695
Employee benefits expense	3	(173,333)	(169,375)
Charitable donations & sponsorship		(26,456)	(3,303)
Depreciation and amortisation expense	3	(25,083)	(24,441)
Administration and other expenses from ordinary activities		(129,631)	(115,212)
<b>Profit before income tax expense</b>		<b>101,525</b>	<b>42,364</b>
Income tax expense	4	33,494	13,901
<b>Profit after income tax expense</b>		<b>68,031</b>	<b>28,463</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	12.37	5.17
- diluted for profit for the year	21	12.37	5.17

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Current assets</b>			
Cash assets	6	360,166	263,834
Receivables	7	51,169	37,514
<b>Total current assets</b>		<b>411,335</b>	<b>301,348</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	43,241	36,801
Deferred income tax asset	4	16,265	49,759
Intangible assets	9	5,250	23,250
<b>Total non-current assets</b>		<b>64,756</b>	<b>109,810</b>
<b>Total assets</b>		<b>476,091</b>	<b>411,158</b>
<b>Current liabilities</b>			
Payables	10	26,487	32,018
Provisions	11	13,577	11,144
<b>Total current liabilities</b>		<b>40,064</b>	<b>43,162</b>
<b>Total liabilities</b>		<b>40,064</b>	<b>43,162</b>
<b>Net assets</b>		<b>436,027</b>	<b>367,996</b>
<b>Equity</b>			
Share capital	12	526,840	526,840
Accumulated losses	13	(90,813)	(158,844)
<b>Total equity</b>		<b>436,027</b>	<b>367,996</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		467,988	352,538
Cash payments in the course of operations		(370,844)	(310,300)
Interest received		18,136	12,375
<b>Net cash flows used in operating activities</b>	<b>14b</b>	<b>115,280</b>	<b>54,613</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(31,948)	(800)
Proceeds from sale of property, plant and equipment		13,000	-
<b>Net cash flows used in investing activities</b>		<b>(18,948)</b>	<b>(800)</b>
<b>Net increase in cash held</b>		<b>96,332</b>	<b>53,813</b>
Add opening cash brought forward		263,834	210,021
<b>Closing cash carried forward</b>	<b>14a</b>	<b>360,166</b>	<b>263,834</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
<b>SHARE CAPITAL</b>			
<b>Ordinary shares</b>			
Balance at start of year		526,840	526,840
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<b>526,840</b>	<b>526,840</b>
<b>Retained earnings / (accumulated losses)</b>			
Balance at start of year		(158,844)	(187,307)
Profit after income tax expense		68,031	28,463
Dividends paid		-	-
<b>Balance at end of year</b>		<b>(90,813)</b>	<b>(158,844)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2008

## Note 1. Basis of preparation of the financial report

### **(a) Basis of accounting**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 25 August 2008.

### **(b) Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

### **(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

#### **Income tax**

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

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

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

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

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



# Notes to the financial statements continued

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

### **Property, plant and equipment**

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

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

<b>Class of asset</b>	<b>Depreciation rate</b>
Motor Vehicles	12.5 - 15%
Plant & Equipment	2.5 - 40%

### **Impairment**

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### **Recoverable amount of assets**

At each reporting date, the Company assesses whether there is any indication that an asset is impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

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

# Notes to the financial statements continued

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

### **Employee benefits**

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

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

### **Intangibles**

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

### **Cash**

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

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### **Comparative figures**

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

### **Revenue**

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

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **Interest bearing liabilities**

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

# Notes to the financial statements continued

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

### Provisions

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

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

### Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2008 \$	2007 \$
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## Note 2. Revenue from ordinary activities

### Operating activities

- services commissions	435,458	341,178
- other revenue	-	-
<b>Total revenue from operating activities</b>	<b>435,458</b>	<b>341,178</b>
<b>Non-operating activities:</b>		
- interest received	20,570	13,517
<b>Total revenue from non-operating activities</b>	<b>20,570</b>	<b>13,517</b>
<b>Total revenue from ordinary activities</b>	<b>456,028</b>	<b>354,695</b>

## Note 3. Expenses

### Employee benefits expense

- wages and salaries	151,170	145,625
- superannuation costs	13,253	12,370
- workers' compensation costs	465	545
- other costs	8,445	10,835
	<b>173,333</b>	<b>169,375</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Expenses (continued)		
<b>Depreciation of non-current assets:</b>		
- plant and equipment	7,083	6,441
<b>Amortisation of non-current assets:</b>		
- intangibles	18,000	18,000
	<b>25,083</b>	<b>24,441</b>
Bad debts	47	130

### 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%	30,457	12,709
Add tax effect of:		
- Non-deductible expenses	3,037	1,192
<b>Current income tax expense</b>	<b>33,494</b>	<b>13,901</b>
<b>Income tax expense</b>	<b>33,494</b>	<b>13,901</b>
<b>Deferred income tax asset</b>		
<b>Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.</b>		
	<b>16,265</b>	<b>49,759</b>

### Note 5. Auditors' remuneration

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

- <b>Audit of the financial report of the Company</b>	<b>3,650</b>	<b>3,650</b>
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### Note 6. Cash assets

<b>Cash at bank and on hand</b>	<b>360,166</b>	<b>263,834</b>
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## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 7. Receivables</b>		
Trade debtors	50,458	37,019
Prepayments	711	495
	<b>51,169</b>	<b>37,514</b>

## Note 8. Property, plant and equipment

### Plant and equipment

At cost	29,389	28,230
Less accumulated depreciation	(14,925)	(11,934)
<b>Total written down amount</b>	<b>14,464</b>	<b>16,296</b>

### Motor vehicle

At cost	30,789	29,192
Less accumulated depreciation	(2,012)	(8,687)
<b>Total written down amount</b>	<b>28,777</b>	<b>20,505</b>
<b>Total written down amount</b>	<b>43,241</b>	<b>36,801</b>

### Movements in carrying amounts

#### Plant and equipment

Carrying amount at beginning of the year	16,296	18,288
Additions	1,159	800
Disposals	-	-
Depreciation expense	(2,991)	(2,792)
<b>Carrying amount at end of the year</b>	<b>14,464</b>	<b>16,296</b>

#### Motor vehicle

Carrying amount at beginning of the year	20,505	24,154
Additions	30,789	-
Disposals	(18,425)	-
Depreciation expense	(4,092)	(3,649)
<b>Carrying amount at end of the year</b>	<b>28,777</b>	<b>20,505</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 9. Intangible assets</b>		
<b>Franchise fee</b>		
At cost	60,000	60,000
Less accumulated amortisation	(56,500)	(44,500)
	<b>3,500</b>	<b>15,500</b>
<b>Preliminary expenses</b>		
At cost	30,000	30,000
Less accumulated amortisation	(28,250)	(22,250)
	<b>1,750</b>	<b>7,750</b>
	<b>5,250</b>	<b>23,250</b>

## Note 10. Payables

Trade creditors	11,321	13,052
Other creditors and accruals	15,166	18,966
	<b>26,487</b>	<b>32,018</b>

## Note 11. Provisions

Employee benefits	13,577	11,144
<b>Number of employees at year end</b>	<b>4</b>	<b>4</b>

## Note 12. Share capital

550,010 Ordinary Shares fully paid of \$1 each	550,010	550,010
Capital raising costs	(23,170)	(23,170)
	<b>526,840</b>	<b>526,840</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 13. Accumulated losses</b>		
Balance at the beginning of the year	(158,844)	(187,307)
Profit after income tax	68,031	28,463
<b>Balance at the end of the year</b>	<b>(90,813)</b>	<b>(158,844)</b>

## Note 14. Cash flow statement

### (a) Reconciliation of cash

<b>Cash assets</b>	<b>360,166</b>	<b>263,834</b>
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### (b) Reconciliation of profit after tax to net cash provided from / (used in) operating activities

Profit after income tax	68,031	28,463
<b>Non cash items</b>		
- Depreciation	7,083	6,441
- Amortisation	18,000	18,000
- Loss on Sale of Asset	5,425	-
<b>Changes in assets and liabilities</b>		
- (Increase) decrease in receivables	(13,655)	(6,802)
- Increase (decrease) in payables	(5,531)	(2,397)
- Increase (decrease) in provisions	2,433	(2,993)
- (Increase) decrease in deferred income tax asset	33,494	13,901
<b>Net cashflows provided from / (used in) operating activities</b>	<b>115,280</b>	<b>54,613</b>

## Notes to the financial statements continued

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### Note 15. Director and related party disclosures

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

Peter Wood Whykes

Christopher Byrne (resigned 19 November 2007)

Lesley Elizabeth Cox

Russell Andrew English

Barry John McKenzie

Matthew Simon Peck

David Thomas Pollard

Peter Rogan

Pamela Joy Wright

Robin McRae (appointed 1 January 2008)

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

<b>Directors shareholdings</b>	<b>2008</b>	<b>2007</b>
Peter Wood Whykes	3,501	3,501
Christopher Byrne (resigned 19 November 2007)	1,001	1,001
Lesley Elizabeth Cox	3,301	3,301
Russell Andrew English	3,501	3,501
Barry John McKenzie	3,501	3,501
Matthew Simon Peck	3,201	3,201
David Thomas Pollard	3,501	3,501
Peter Rogan	3,301	3,301
Pamela Joy Wright	3,301	3,301
Robin McRae (appointed 1 January 2008)	-	-

Each share held is valued at \$1 and is fully paid. There was no movement in shareholdings during the year.

### Note 16. Subsequent events

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



# Notes to the financial statements continued

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## Note 17. Contingent liabilities

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

## Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Charlton, Victoria.

## Note 19. Corporate information

Charlton & District Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: 39 - 41 High Street, Charlton VIC 3525.

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>

## Note 20. Dividends

Dividends proposed and not recognised as a liability

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Unfranked dividends - 5 cents per share (2007: Nil cents per share)	27,501	-
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## Note 21. 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:

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<b>Profit after income tax expense</b>	<b>68,031</b>	<b>28,463</b>
<b>Weighted average number of ordinary shares for basic and diluted earnings per share</b>	<b>550,010</b>	<b>550,010</b>

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# Notes to the financial statements continued

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## Note 22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008	2007
	\$	\$
Cash assets	360,166	263,834
Receivables	51,169	37,514
	<b>411,335</b>	<b>301,348</b>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## Notes to the financial statements continued

### Note 22. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
<b>30 June 2008</b>					
Payables	26,487	(26,487)	(26,487)	-	-
	<b>26,487</b>	<b>(26,487)</b>	<b>(26,487)</b>	-	-
<b>30 June 2007</b>					
Payables	32,018	(32,018)	(32,018)	-	-
	<b>32,018</b>	<b>(32,018)</b>	<b>(32,018)</b>	-	-

#### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

#### Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

#### Sensitivity analysis

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

	Carrying amount	
	2008 \$	2007 \$
<b>Fixed rate instruments</b>		
Financial assets	350,000	230,000
Financial liabilities	-	-
	<b>350,000</b>	<b>230,000</b>
<b>Variable rate instruments</b>		
Financial assets	10,166	33,784
Financial liabilities	-	-
	<b>10,166</b>	<b>33,784</b>

# Notes to the financial statements continued

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Note 22. Financial risk management (continued)

## **Fair value sensitivity analysis for fixed rate instruments**

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

## **Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

## **(d) Net fair values**

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

## **(e) Capital management**

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

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 2008 can be seen in the Income Statement.

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

# Director's declaration

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In accordance with a resolution of the Directors of Charlton & District Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



**Peter Whykes**

**Chairman**

Signed at Charlton on this day 25 August 2008.

# Independent audit report

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## Richmond Sinnott & Delahunty Chartered Accountants



### *INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CHARLTON & DISTRICT FINANCIAL SERVICES LIMITED*

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

#### **SCOPE**

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Charlton & District Financial Services Limited, for the year ended 30 June 2008.

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

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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ABN 60 616 244 309

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## Independent audit report continued

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### **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### **AUDIT OPINION**

In our opinion, the financial report of Charlton & District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

*Richmond Sinnott & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 25 August 2008







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