

2008 annual report



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Chairman's report

For year ending 30 June 2008

Our last financial year has shown what our **Community Bank®** Company will be capable of over the years to come:

Profit before tax and sponsorships increased from \$245,000 to \$435,000.

Cash sponsorship payments increased from \$40,000 to \$178,000.

Although the accounts show sponsorship payment to be \$105,000, a further \$73,000 was paid for long term sponsorship deals which amounts will be written off over the life of those deals. Additional sponsorship deals of \$242,000 are likely to be paid in the next few months which will increase payments to more than \$500,000 by September. Not only did we get our banks back, we are now, thanks to the large amount of business that we are attracting, in a great position to contribute to many community projects.

In our recent newsletter, we listed the many recipients of our sponsorship payments. A real mixture of community organisations. As part of a sponsorship deal, we ask that the recipient organisation bank with either of our branches in Canterbury and Surrey Hills, so that we attract the income from those accounts. We also seek publicity from sponsored organisations. No doubt, you have seen our signage on Basscare and Evergreen buses. Our logo's are increasingly appearing in sporting clubs' and other organisations' websites. The result will be more business for our branches with the resultant increase in moneys available for sponsorships.

Shareholders have not been forgotten. A 10 cent per share capital return is being arranged. As we still have tax losses, dividends cannot be fully franked. We expect to recoup all accumulated losses this current financial year which should lead to fully franked dividends to be paid in future years.

Probably the largest development which started last year is the effort to open our third branch in Ashburton. That area has always been on our radar as a number of your Directors had some involvement in the Ashwood effort in 2001, which did not quite get over the line. The Ashburton **Community Bank®** Steering Committee has done a sterling job in attracting support and the current plan is to open the branch in late October 2008. Apart from a lot of hard work, this will have some effect on our organisation and our shareholders. We will raise sufficient capital from Ashburton/Ashwood/Glen Iris residents to ensure there will be just under 300 shareholders from that area and up to four Directors from Ashburton and surrounds will be appointed to the Board. That will result in equal voices from our three communities. We will also revalue our shares before the issue of new "Ashburton" shares. As stated in our half year announcement, our shares were valued at \$1.41 to \$2.23, as at 30 June 2007. We will have valuations done by two accounting firms and then decide on an issue of bonus shares to ensure that the new shares to be issued to "Ashburton" residents will have a value of close to \$1.00.

Your Directors have worked on a voluntary basis for up to seven years. We have been very willing to do this and are very pleased with having established a thriving community asset. Being a Director does take much time, especially now that there are so many sponsored organisations that we are establishing connections

Chairman's report continued

with. As we grow, our marketing, sponsoring, finance, secretarial and governance issues will only increase. With only limited recoupment of expenses by Directors, we will find it increasingly difficult to attract suitable Directors. Your Board has therefore decided to ask shareholder approval for the Directors to share between them \$50,000 in Directors fees.

We could not have made the progress to date without the assistance of our staff. Last financial year was especially difficult due to significant staff turnover. As new staff usually need a lot of training, our staff did it tough at times. At times, we had very limited counter staff. I sincerely thank all of our staff under the leadership of Anthony Yeates for their great efforts, including the growing of our business. We hope that we have entered a long period of stability, especially with the need to train staff for our Ashburton branch.

I thank my fellow Directors for their dedicated service to further develop our great community banking Company. With both branches now over five years old and quite profitable, new demands will be placed on your Directors to set the course for the next five years.



Dick Menting
Chairman

Manager's report

For year ending 30 June 2008

It has been a steady year for our business, with solid growth achieved in difficult trading conditions in the banking and finance industry. Deposits for the year increased by over \$16 million, and loans increased by nearly \$4 million. Our total combined business over both sites is \$167 million, which represents a 13 per cent increase from last year. Accounts held at our branches grew by 11 per cent with the actual number of accounts increasing by 668. This is a great endorsement of our friendly and courteous staff, who offer good old fashioned professional service at our branches.

There has been significant staff changes at our Canterbury branch over the past year. Branch Manager Nicole Gellie has departed to pursue her career in teaching, and Customer Service Officers Kim Clarke and Emily Thomas transferred to other **Community Bank®** branches closer to home. I would like to take this opportunity to welcome our new staff members to our business. Branch Manager Tony Graham leads our Canterbury team, together with our new Customer Relationship Officer, Vanessa Hallum. New Customer Service Officers Kaye Paxman and Sam Randeniya join Fiona McLaughlin on the front counter at Canterbury. Tony has injected some new enthusiasm into the branch, and results are starting to show.

Our Surrey Hills Branch Manager Fiona Kerr has settled in well in leading her team, with the branch performing as Region Leader in a number of areas. Many thanks to Alistair Cooke, Gina Volonnino, Sophie Anastasiou, Alison Morrison and Adriana Horska for their work over the past year.

We have some exciting developments happening in our business in the next 12 months. Our new third site opening in Ashburton presents a huge opportunity for us to grow our book. There will be a lot of hard work ahead of us, but with our combined expertise, we will make this a success. We will continue to work with our associated clubs and community groups, and by supporting each other, we will continue to grow.

We have a strong, well managed business which is delivering significant profits to the wider community. This has happened due to the many unpaid hours of work by our Board of Directors, who freely give up their time for the good of our **Community Bank®** branch. The work they do to make it such a success is to be congratulated. I must also thank our shareholders and customers, for without your support, we would not be where we are today.

The value of our association with our shareholders, local clubs and community groups cannot be understated. I ask for your continued support, for by simply as conducting your banking at our **Community Bank®** branch, everyone in the wider community benefits.



Anthony Yeates
Senior Manager

Treasurer's report

For year ending 30 June 2008

Operating results

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

Period ended 30-Jun-08	Period ended 30-Jun-07
\$ 221,904	\$ 140,205

Dividends

The Directors have not declared a dividend for the financial year ended 30 June 2008.

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 period under review not otherwise disclosed in this report.

Significant events after the balance date

The Company will propose at an Extraordinary General Meeting a return of capital of 10 cents per share. This proposal requires shareholder approval.

Other than stated above, 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.



Juliann Byron
Treasurer

Directors' report

For year ending 30 June 2008

Your Directors submit the 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 period are:

Director	Experience	Responsibilities
Hans Diederick Menting Chairman – non-executive BCom, MBA(Melb), AICD	Banking, finance & administration for 35 years. Small business owner/operator & Councillor.	Chairman Member - Audit & Governance committee Member - Staff committee Member - Executive committee Member - Finance committee Member – Sponsorship committee
David Charles Orford Deputy Chairman - non- executive BSc, MBA,FIA,DFP	Actuary, Superannuation, compliance, administration, IT, and marketing. Executive Chairman of Financial Synergy P/L, Director – Top Quartile Mgt P/L, Financial Synergy (Tas) P/L Financial Synergy Actuarial P/L, Financial Synergy Holdings P/L, Bruce May Homes P/L, Superannuation Systems (Aust) P/L, Symbiotic Serendipity P/L.	Chairman - Audit & Governance committee Member - Marketing committee
Robert Einar Stensholt Director- non-executive BA, BD(Hons), M Int. Law Dip. Phil	State MP, Formerly Director Consulting coy, Senior Research Fellow, Ass Dir Gen AusAID, Diplomat, teacher.	Chairman - Staffing committee, Member - Finance committee
Damien Leo Hudson Director – non-executive	8 years experience in real estate & management	Chair – Asset Management committee, Member - Executive committee, Member, Sponsorship & Grants committee
Elisabeth Kay Grant Director - non-executive BA Graphic Design	Advertising, design, marketing, corporate communications, education. Director of graphic design consultancy.	Chairman - Marketing committee, Member - Staff committee

Directors' report continued

Juliann Ruth Byron Director- non-executive Treasurer BCom, Grad Dip CM, FCPA, FIDC, ACIS, FTIA	Finance, Company secretary, management, & governance. Director of Western Health & Victorian Cytology Service.	Chairman - Finance committee, Member - Audit & Governance committee Member - Executive committee
Trevor Roland Kempton Director- non-executive	Small business owner, business management & marketing	Member – Marketing committee
Leigh Warren Smith Director – non-executive	Business owner, business management. Director – Allsmith Pty Ltd, Goulburn Motor Group (Vic) Pty Ltd, Goulburn Motor Group (Vic), Quatro Grande Pty Ltd, Quatro Grande Properties Pty Ltd	Chairman – Sponsorship & Grants committee, Member – Asset Management committee, Member – Marketing committee
Derek Forbes Mortimer Director – non-executive (appointed 28/05/08) Company Secretary (appointed 26/9/07) LL.B, Grad Dip Legal Practice, Member, Law Institute Victoria	Lawyer, Moores Legal	Company Secretary

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 period were in providing community banking services under management rights to operate two franchised branches of Bendigo Bank Limited in Canterbury, and Surrey Hills, Victoria.

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

Review of operations

The Company has continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$221,904 (2007: \$140,205).

Dividends

A non-franked dividend of 2 cents per share was paid in the financial year. An 8 cents per share capital return was paid in the financial year.

Directors' report continued

Significant changes in the state of affairs

The Company listed on the Bendigo Stock Exchange on 21 February 2008. In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after balance date

Directors have recommended by way of notice of an extra-ordinary general meeting of the Company to shareholders dated 16 July 2008, that the Company reduce its capital with a capital distribution to shareholders of 10 cents per ordinary share. This proposal requires shareholder approval.

The Company has commenced a due diligence process with the view to opening a new branch in Ashburton.

Other than stated above, 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, with the exception of those listed below.

An allowance was paid to some Directors to cover expenses incurred on behalf of the Company.

The total paid in allowances for the year was \$5,500. (2007: \$6,000).

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Remuneration report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Executives

The current Company Secretary, Derek Mortimer is not remunerated for his duties.

The Board is responsible for the determination of remuneration packages and policies applicable to the Senior Manager and all the staff. The Senior Manager is invited to the Board meeting as required to discuss performance and remuneration packages.

Directors' report continued

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 corporate.

Directors meetings

The number of Director's meetings attended by each of the Directors of the Company during the period was:

Number of meetings held:	10
Number of meetings attended:	
Hans Diederick Menting	10
David Charles Orford	7
Robert Einar Stensholt	5
Damien Leo Hudson	9
Elisabeth Kay Grant	9
Juliann Ruth Byron	9
Trevor Roland Kempton	9
Leigh Warren Smith	8
Derek Forbes Mortimer (appointed 28/05/08)	1 (eligible for 2)

Corporate governance

The Company has implemented various corporate governance practices, which include:

- a) The continuance of an Audit & Governance Committee. Members of the Audit & Governance Committee are David Orford, Dick Menting, and Juliann Byron.
- 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.

Company Secretary

The Company Secretary is Mr Derek Mortimer. Mr Mortimer was appointed to the position of Company Secretary on 26 September 2007 replacing Ms Susanne Tucker. Mr Mortimer is also a Director of the Company. Mr Mortimer has expertise in law relating to not-for-profit organisations and has held Company secretary positions in not-for-profit companies and associations.

Directors' report continued

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 5 August 2008, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	354
1,001 to 5,000	190
5,001 to 10,000	16
10,001 to 100,000	8
100,001 and over	NIL
Total Shareholders	568

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 6 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders.

Shareholder	Number of shares	Percentage of capital
Adrienne Leslie Murray	50000	4.58
Kevin Francis McCormack & Mrs Joan McCormack	24500	2.24
Harry Keith Atkinson	20000	1.83
Richard Middleton <Marpjz Super Fund A/C>	20000	1.83
Wayne Austen & Erica Austen	19000	1.74
John Henry Anderson & Patricia Noreen Anderson	15000	1.37
Leigh Smith & Felicity Smith <Eb Investment Fund A/C>	13500	1.24
K D B Pty Ltd	10500	0.96
Melvin William Austin & Gillian Rebecca Austin	10000	0.92
Cgt Investments Pty Ltd <Superannuation Fund A/C>	10000	0.92

Directors' report continued

Security register

The security register (share register) is kept at:

Computershare Investor Services

Yarra Falls

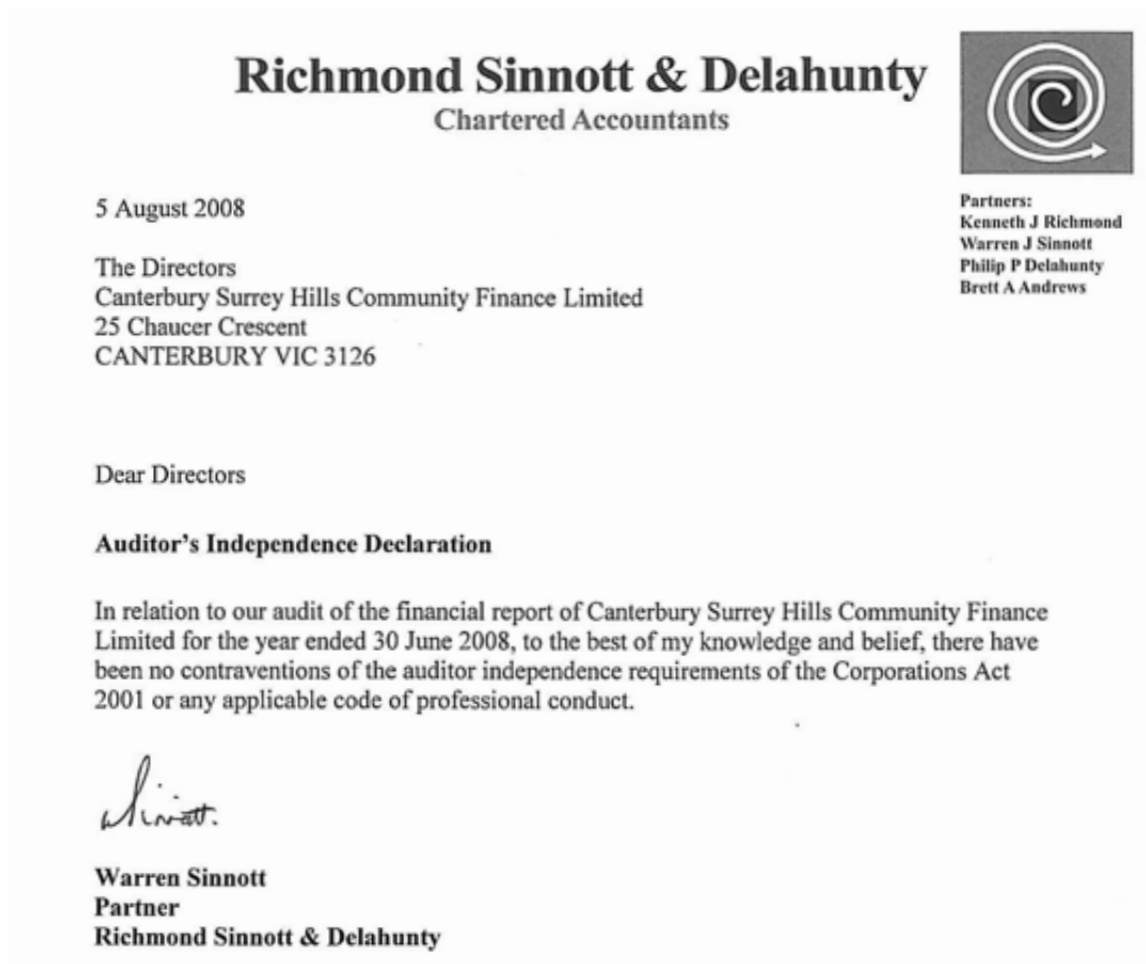
452 Johnston Street,

Abbotsford VIC 3067

Phone: 03 9415 5000

Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.



Signed in accordance with a resolution of the Board of Directors at Melbourne, Victoria on 5 August 2008.

Hans Diederick Menting
Chairman

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenue from ordinary activities	2	1,432,702	1,144,743
Employee benefits expense	3	(566,679)	(464,415)
Charitable donations and sponsorship		(104,904)	(39,278)
Depreciation and amortisation expense	3	(91,943)	(119,807)
Finance costs	3	-	(72)
Other expenses from ordinary activities		(338,696)	(315,797)
Profit before income tax expense		330,480	205,374
Income tax expense	4	108,576	65,169
Profit after income tax expense		221,904	140,205
Earnings per share (cents per share)			
- basic for profit for the year	21	20.32	12.84
- diluted for profit for the year	21	20.32	12.84
- dividends per share	20	2.00	2.00

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	462,500	291,794
Receivables	7	210,519	120,923
Total current assets		673,019	412,717
Non-current assets			
Property, plant and equipment	8	93,667	152,602
Deferred income tax asset	4	33,886	142,462
Intangible assets	9	63,053	28,488
Total non-current assets		190,606	323,552
Total assets		863,625	736,269
Current liabilities			
Payables	10	82,569	78,103
Provisions	11	26,640	16,448
Total current liabilities		109,209	94,551
Total liabilities		109,209	94,551
Net assets		754,416	641,718
Equity			
Share capital	12	1,004,697	1,092,062
Accumulated losses	13	(250,281)	(450,344)
Total equity		754,416	641,718

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,459,818	1,214,032
Cash payments in the course of operations		(1,136,549)	(901,609)
Interest received		24,216	7,982
Borrowing costs		-	(72)
Net cash flows provided from operating activities	14b	347,485	320,333
Cash flows from investing activities			
Payments for property, plant and equipment		(6,489)	(882)
Payments for intangible assets		(61,084)	-
Net cash flows (used in) from investing activities		(67,573)	(882)
Cash flows from financing activities			
Repayment of borrowings		-	(17,852)
Dividends paid		(21,841)	(21,841)
Return of capital		(87,365)	-
Net cash flows (used in) financing activities		(109,206)	(39,693)
Net increase in cash held		170,706	279,758
Add opening cash brought forward		291,794	12,036
Closing cash carried forward	14a	462,500	291,794

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		1,092,062	1,092,062
Return on capital of 8 cents per share		(87,365)	-
Share issue costs		-	-
Balance at end of year		1,004,697	1,092,062
Retained earnings			
Balance at start of year		(450,344)	(568,708)
Profit after income tax expense		221,904	140,205
Dividends paid		(21,841)	(21,841)
Balance at end of year		(250,281)	(450,344)

The accompanying notes form part of these financial statements.

Notes to the financial statements

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 5 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

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:

Class of asset	Depreciation rate
Plant & Equipment	6.67% - 20%

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

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	1,408,486	1,136,761
Total revenue from operating activities	1,408,486	1,136,761

Non-operating activities:

- interest received	24,216	7,982
- other revenue	-	-
Total revenue from non-operating activities	24,216	7,982
Total revenue from ordinary activities	1,432,702	1,144,743

Note 3. Expenses

Employee benefits expense

- wages and salaries	485,548	418,773
- superannuation costs	39,787	35,483
- workers' compensation costs	1,797	1,761
- other costs	39,547	8,398
	566,679	464,415

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	65,424	77,660
Amortisation of non-current assets:		
- intangibles	26,519	42,147
	91,943	119,807
Bad debts	912	364
Finance costs:		
- Interest paid	-	72

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%	99,144	61,612
Add tax effect of:		
- Non-deductible expenses	9,432	3,557
Current income tax expense	108,576	65,169
Income tax expense	108,576	65,169
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.		
	33,886	142,462

Note 5. Auditors' remuneration

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

- Audit or review of the financial report of the Company	3,650	3,650
- Valuation of the Company	1,000	-
	4,650	3,650

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 6. Cash assets

Cash at bank and on hand	462,500	291,794
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Note 7. Receivables

Accrued income	133,005	116,843
Deposits	4,080	4,080
Prepayments	73,434	-
	210,519	120,923

Note 8. Property, plant and equipment

Plant and equipment

At cost	478,166	471,677
Less accumulated depreciation	(384,499)	(319,075)
	93,667	152,602
Total written down amount	93,667	152,602

Movements in carrying amounts

Plant and equipment

Carrying amount at beginning of year	152,602	229,380
Additions	6,489	882
Disposals	-	-
Depreciation expense	(65,424)	(77,660)
Carrying amount at end of year	93,667	152,602

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 9. Intangible assets

Franchise fee

At cost	157,424	100,000
Less accumulated amortisation	(99,153)	(84,852)
	58,271	15,148

Preliminary expenses

At cost	114,393	110,734
Less accumulated amortisation	(109,611)	(97,394)
	4,782	13,340
	63,053	28,488

Note 10. Payables

PAYG withholding	13,241	5,207
Other creditors and accruals	69,328	72,896
	82,569	78,103

Note 11. Provisions

Employee benefits	26,640	16,448
Number of employees at period end	11	10

Note 12. Share capital

1,092,062 Ordinary shares fully paid of 92 cents

(2007: \$1) each	1,004,697	1,092,062
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Movement in ordinary shares

Balance at beginning of year	1,092,062	1,092,062
Return on capital of 8 cents per share (2007: Nil)	(87,365)	-
Balance at end of year	1,004,697	1,092,062

Notes to the financial statements continued

	2008 \$	2007 \$
Note 13. Accumulated losses		
Balance at the beginning of the financial year	(450,344)	(568,708)
Profit after income tax	221,904	140,205
Dividends paid	(21,841)	(21,841)
Balance at the end of the financial year	(250,281)	(450,344)

Note 14. Cash flow statement

(a) Reconciliation of cash

Cash at bank and on hand	462,500	291,794
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(b) Reconciliation of profit after tax to net cash provided from operating activities

Profit after income tax	221,904	140,205
Non cash items		
- Depreciation	65,424	77,660
- Amortisation	26,519	42,147
Changes in assets and liabilities		
- (Increase) decrease in receivables	(89,596)	(19,214)
- Increase (decrease) in payables	4,466	26,531
- Increase (decrease) in provisions	10,192	(12,165)
- (Increase) decrease in deferred income tax asset	108,576	65,169
Net cashflows provided from operating activities	347,485	320,333

Notes to the financial statements continued

Note 15. Director and related party disclosures

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

Hans Diederick Menting

David Charles Orford

Damien Leo Hudson

Juliann Ruth Byron

Leigh Warren Smith

Elisabeth Kay Grant

Robert Einar Stensholt

Trevor Roland Kempton

Derek Forbes Mortimer (appointed 28/05/08)

Apart from below no Director's fees have been paid as the positions are held on a voluntary basis.

K-Mack Lockers Pty Ltd of which Dick Menting is a Director, received a payment of \$970 in 2007 for the purchase of filing cabinets.

An allowance was paid to some Directors to cover expenses incurred on behalf of the Company.

The total paid in allowances for the year was \$5,500 (2007: \$6,000).

Directors shareholdings	2008	2007
Hans Diederick Menting	2,501	2,501
David Charles Orford	5,001	5,001
Damien Leo Hudson	6,401	6,401
Juliann Ruth Byron	4,000	4,000
Leigh Warren Smith	13,500	13,500
Elisabeth Kay Grant	3,000	3,000
Robert Einar Stensholt	5,001	5,001
Trevor Roland Kempton	-	-
Derek Forbes Mortimer (appointed 28/05/08)	-	-

No movements in Directors shareholdings during the year. Each share held has a paid up value of 92 cents (2007: \$1) and is fully paid.

Notes to the financial statements continued

Note 16. Subsequent events

The Company has commenced a due diligence process with the view of opening a new branch in Ashburton.

Directors have recommended by way of notice of an extra ordinary general meeting of the Company to shareholders dated 16 July 2008, that the Company reduce its capital with a capital distribution to shareholders of 10 cents per ordinary share. This proposal requires shareholder approval.

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

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 Canterbury & Surrey Hills, Victoria.

Note 19. Corporate information

Canterbury Surrey Hills Community Finance Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

Registered office	Principal place of business
143 Mailing Road, Canterbury VIC 3126	Surrey Hills Community Bank [®] Branch 107 Union Road, Surrey Hills VIC 3127 Canterbury Community Bank [®] Branch 143 Mailing Road, Canterbury VIC 3126

Notes to the financial statements continued

	2008 \$	2007 \$
Note 20. Dividends paid or proposed for on ordinary shares		
(i) Dividends paid during the year		
Unfranked dividends - 2 cents per share (2007: 2 cents per share)	21,841	21,841

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:

Profit after income tax expense	221,904	140,205
Weighted average number of ordinary shares for basic and diluted earnings per share	1,092,062	1,092,062

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.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(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	462,500	291,794
Accrued income and deposits	137,085	120,923
	599,585	412,717

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of accrued income 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)

(b) Liquidity risk (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 \$
30 June 2008					
Payables	82,569	(82,569)	(82,569)	-	-
	82,569	(82,569)	(82,569)	-	-
30 June 2007					
Payables	78,103	(78,103)	(78,103)	-	-
	78,103	(78,103)	(78,103)	-	-

(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 \$
Fixed rate instruments		
Financial assets	311,287	211,250
Financial liabilities	-	-
	311,287	211,250
Variable rate instruments		
Financial assets	151,213	80,544
Financial liabilities	-	-
	151,213	80,544

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(c) Market risk (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

In accordance with a resolution of the Directors of Canterbury Surrey Hills Community Finance 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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.



Hans Diederick Menting
Chairman

Signed in Melbourne on 5 August 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CANTERBURY SURREY HILLS COMMUNITY FINANCE LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P 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 Canterbury Surrey Hills Community Finance 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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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 Canterbury Surrey Hills Community Finance 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: 5 August 2008

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Shop 2, 143 Maling Road, Canterbury VIC 3126
ABN 96 099 590 593

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8020) (08/08)