

Canterbury Surrey Hills
Community Finance Limited

ABN 96 099 590 593

annual report 2011



Canterbury **Community Bank**[®] Branch

Ashburton **Community Bank**[®] Branch

Surrey Hills **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2011

It is with great pleasure that we bring you this year's Annual Report. Profit before sponsorships and tax increased by 64% to \$860,948. Sponsorship payments as per the accounts increased by 83% to \$409,594. Actual sponsorship payments were \$511,816, which includes longer term sponsorships and GST. As we did last year all sponsorship payments during the year are listed in this report together with terms of reference of our Sponsorship and Marketing Committee.

The sponsorship payments were made to 110 local not for profit organisations. Some payments are as low as \$5 being incentive payments for an organisation's membership base opening banking accounts with our three branches. Since our start up in 2003, we have now handed back over \$1.5 million in sponsorships to 180 local not for profit organisations. There are very few organisations in our suburbs that support our communities to that level. As you can see from the sponsorship tables, we support a very wide range of organisations and through those affect most of the residents in our areas of operation.

This year's great results could not have been possible without the dedication of our staff, very well led by Nick Coker, our Senior Manager. The performance of our branches features very well in the hierarchy of **Community Bank**[®] branches. Our Surrey Hills **Community Bank**[®] Branch topped our region for the second year running in many categories relating to activity and efficiency; congratulations to Fiona Kerr and her staff. Your Directors have also been very active in setting standards for our operations and guiding us into a future where we will support our communities at much higher levels than we do already. Also, our results have only been possible by attracting so many new local customers to our branches.

The support from Bendigo and Adelaide Bank Ltd has also been at the highest level. Without the foresight and continued tremendous support of the staff of Bendigo and Adelaide Bank Ltd we would not exist.

As advised in my letter to you of 1 September, your Directors announced a 6 cent fully franked dividend for the year (5 cent last year) and a one for ten bonus share issue. Both are a reflection of our excellent 2011/2012 results.

The future will be as hectic as ever with our fourth branch at 411 Whitehorse Road, Balwyn due to open on Friday 18 November with celebrations during that day. We would like to see many of you there. The campaign to get sign off from Bendigo and Adelaide Bank Ltd to open Balwyn was very quick and greatly supported by representatives from our sponsored organisations in Balwyn. We thank the Steering Group for their ongoing assistance. The main delay in opening was the search to find a good location. We have so far attracted quite a lot of new Balwyn banking business and the branch will be a great fit with our operations in Canterbury, Ashburton and Surrey Hills.

During the year, we have spent much time in reviewing our performance and how we can do even better in the future. The Directors and our Senior Manager had a strategy meeting earlier this year where it was agreed to review our Board structure and the hiring of specialised marketing staff and possibly a Chief Executive Officer. With more than 20 staff, four **Community Bank**[®] branches and a turnover in excess of \$3 million, the role of your Directors cannot be regarded as virtually volunteer.

We are also spending much time and effort on reviewing the optimum way of attracting new customers, especially through the members and supporters of our sponsored organisations. Market research undertaken for 13 Bendigo Bank branches in our region during the year indicated that we are not getting our message across to not only our sponsored organisations but also to many of you, our shareholders. Our message is "bank with

Chairman's report continued

us and the community benefits big time". Please assist us in spreading our message. Bendigo Bank products are quite competitive – they are based on quality rather than just the cheapest price. In the current economic climate there are always financial institutions that will endeavour to buy business. With your **Community Bank**[®] branches though, the service level is about the best and you can always call our staff as our numbers are in the phone book.

During the year, we appointed John Grace as Director. John has had much experience in financial institutions and has been deeply involved in a number of community organisations. We have also appointed Geoff Rowles as Company Secretary. Geoff comes to us with great knowledge in Company administration. Since balance date, Trevor Kempton resigned as Director. We thank Trevor for his contribution over the last five years. We will very much miss the contribution of Trevor and his wife, Dorothy, to the organisation of festivities after our Annual General Meetings and other public meetings.

In closing I reiterate that there are many people that we deeply thank for a great year in review, our staff, our customers, our shareholders, our Directors and Bendigo and Adelaide Bank Ltd and its staff. Also of course the members of the Balwyn Steering Committee and other local Balwyn traders and residents who helped us make the Balwyn campaign a breeze.



Dick Menting
Chairman.

Senior Manager's report

For year ending 30 June 2011

The 2011 financial year was a busy year with many milestones, activities and changes across our network:

- Canterbury and Surrey Hills **Community Bank**[®] branches entering their ninth years.
- Ashburton **Community Bank**[®] Branch in its third year.
- Sponsorships and grants reaching over \$1.5 million.
- Increased involvement with the local community groups and organisations.
- The progression of our fourth site in Balwyn.

We should be very proud of the achievements made. The business continues to grow, reaching total footings of \$323 million (up \$51 million for the 12 month period, representing 19% growth) and we have continued to build on our connection within the community. Over 180 organisations and clubs benefitted from sponsorship, with more than \$1.5 million invested into our community since 2003. This amount increased substantially over the past 12 months and reflects the commitment of your **Community Bank**[®] branch to make a real impact.

Deposits for the group increased by \$22 million (over 13%), to just over \$182 million, in a very competitive environment. Corresponding growth last year was 7% and the improvement is largely accredited to a strong retention program conducted throughout the three branches.

Across the group account numbers continued to grow with an additional 901 for the year, similar to the previous year. This brings our total accounts to 9,783 and total customers to 5,971. With products per customer also increasing, we are finding that our customers are more engaged and value the service provided throughout all three sites.

We have had another very successful year in lending growth. Our lending book grew by \$29 million (over 24%) to almost \$138 million, compared to \$23 million the previous year. This part of the business has the highest margin income for the group and as such this is reflected in the overall performance and profit achieved after the substantial level of sponsorship paid.

These overall growth figures tell two very important stories. The first is that we have a business model that is demonstrating its strengths with consistently impressive and improving results. The second is that our community program is proving to be a key tool to providing lasting benefits for shareholders, community and staff.

Branches

Canterbury **Community Bank**[®] Branch had a great year with the banking book reaching \$110 million (growth of over \$18 million) which is an increase of 22% for the year. This is after a previous year of trading water. Both lending and deposits were above target and Craig Pitt (Manager) and his team are to be congratulated on the turnaround of performance.

Ashburton **Community Bank**[®] Branch has reached \$63 million in banking business as at the end of the year. This represents an increase of \$9 million (or 16%). Deposits remained relatively constant however lending increased by almost \$8 million. This is almost a 50% increase on the lending book that was outstanding at the beginning of the year. A real focus over the year ahead will be to gain a greater share of the local business. Lorelle Richter (Manager) has settled in well to the role and is starting to make a real difference to this part of our business.

Surrey Hills **Community Bank**[®] Branch reached footings of just on \$150 million as at the end of the year, representing growth of almost \$24 million. Fiona Kerr (Manager) and her team have done a fantastic job over the year reaching both the lending and deposit targets. For an eight year old branch to achieve these kind of numbers is a great result.

Senior Manager's report continued

Staff

I would like to acknowledge the efforts of all staff, not only the existing and new, but also the ones that have moved on over the past 12 months. Currently employing 19 staff, we have experienced some staff turnover but retain good quality people to assist our customers. The opening of Balwyn **Community Bank**[®] Branch will increase our staffing level to around 25.

At Ashburton **Community Bank**[®] Branch we welcomed a new Branch Manager in Lorelle Richter who brought with her almost 10 years experience with other **Community Bank**[®] branches, and was the Branch Manager at Doncaster East **Community Bank**[®] Branch. Lorelle has extensive experience in the community branch model and strengths in leadership, compliance and is passionate about driving a successful business and team.

We also had a number of other staff join the team and I would like to welcome Helen De Ross and Chris Wood (Customer Relationship Officers) and also Jenny Lee, Jess Keenan and Matthew Thiesson (Customer Service Officers).

I would also like to acknowledge the great support from our Regional Manager Michael Petering and his team from Bendigo and Adelaide Bank Ltd.

Board support

Without the dedication and enthusiasm of our Board of Directors we would not have achieved the results recorded. They have been supportive with staffing and resources, connection within the community and most of all identifying some great opportunities to write business.

I would like to thank Dick Menting, Chairman and the other Directors of the Board for the trust, respect and support they have provided to me, the Managers and staff.

Summary

With more than \$1.5 million invested back to the local community by way of grants and sponsorships (and that's what we are all about), we are encouraged with the prospect that this amount may continue to climb over the coming years. We are aware, however, that this can only be achieved with ongoing support of our local businesses, customers, shareholders and community groups.

We will soon be adding a new chapter to the book with Balwyn **Community Bank**[®] Branch set to open in November 2011. This would not have been possible without a dedicated and passionate steering committee who I thank for all that they have done. We are already writing some great business in readiness for the opening of the branch, and I encourage our Balwyn community groups to become our most effective advocates of the branch and what it offers the community.

To our customers and shareholders, I congratulate you. It is you that have made the real difference. This is your **Community Bank**[®] Branch and your investment into the local community.

I therefore urge all our staff, Directors, shareholders, customers, community groups and clubs to encourage your friends and families to support Canterbury, Ashburton and Surrey Hills **Community Bank**[®] branches and soon to be Balwyn.

By doing this you are supporting your own community.



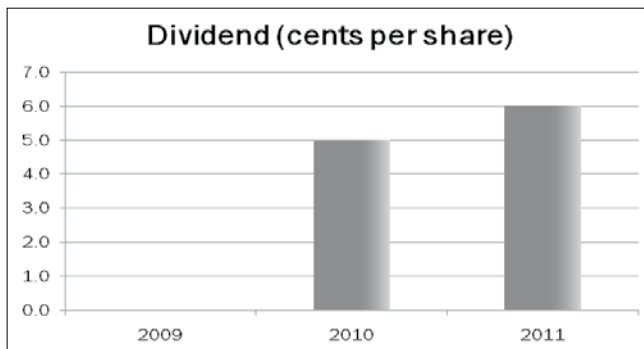
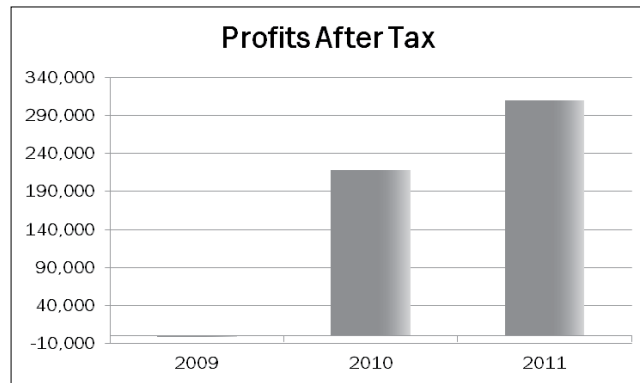
Nick Coker
Senior Manager

Treasurer's report

For year ending 30 June 2011

Operating results

The profit after income tax expense of \$309,118 (2010: \$217,593) reflects a strong performance for the year and an increase in profit after income tax expense of 42.06%. This result is even more significant when we consider the increase in sponsorship payments from \$223,463 to \$409,594, and increase of \$186,131 (83.29%) from the previous year.



Dividends

The Company paid a dividend of 5 cents per share based on the performance of the 2010 financial year. Since the completion of these financial statements, the Directors have determined a dividend of 6 cents per share be paid on 21 September 2011.

Significant events after the balance date

The Company has entered into a lease for a premises in Whitehorse Road, Balwyn pursuant to a proposed new branch opening (see Likely Developments). As at the date of preparation of this report, the Company was planning to issue a Prospectus for the raising of further share capital to meet the criteria required to open the Balwyn branch as a **Community Bank**[®] Branch.

Juliann Byron
Treasurer

Sponsorship and Marketing Committee - terms of reference

1 Purpose of committee

The purpose of the Canterbury Surrey Hills Community Finance Limited's (or "CSHCFL" or the "Company") Sponsorship and Marketing Committee is to:-

- Facilitate the distribution of funds generated from business activities to the community through two distinct processes; by evaluating grant applications and also by the commercial use of sponsorship to foster business growth.
- To position our branches as the primary choice of the community for local banking, reassuring the community that these branches provide equivalent or better services to those of the other major banks.
- To create awareness of, and goodwill towards, the Company from the community by promoting the benefits the bank gives back to the community.

Reporting to the Sponsorship and Marketing Committee will be three Sub-Committees which will undertake day-to-day sponsorship and marketing operations:

- Signage and Marketing Tools Sub-Committee
- Communications and Publicity Sub-Committee
- Sponsorship Sub-Committee.

2 Composition of Committees, quorum, chair, minutes

The Sponsorship and Marketing Committee and each of its Sub-Committees are to consist of at least three (3) Directors, with a quorum of two, plus the Senior Manager (SM) and /or a Branch Manager. The Committee and each Sub-Committee may include no more than three non-voting community representatives as an advisory panel that may also assist with promoting the Company.

One of the Board members of the Committee/Sub-Committee is to be selected by the Committee/Sub-Committee as Chair. In addition to arranging and chairing meetings, the Committee chair is responsible for ensuring all records of the Committee/Sub-Committee are maintained and correct minutes and reports are prepared and distributed as required.

3 Selection of committees and term of office

The members of the Sponsorship and Marketing Committee and its Sub-Committees are to be appointed annually by the Board at the first Board Meeting following the Company's Annual General Meeting.

The Committee and its Sub-Committees are to operate until the date of first regular Board Meeting following the Annual General Meeting, or the Company otherwise determines.

Casual vacancies within the Committee or Sub-Committees during their term may be filled by agreement of the remaining Committee/Sub-Committee members, who are Board members. The appointment is to be confirmed at the next Board Meeting.

Suitably qualified non Board Member community representatives may be appointed subject to Board approval.

4 Duties and responsibilities of Sponsorship and Marketing Committee

The Sponsorship and Marketing Committee is responsible for:

- Developing and implementing sponsorship and marketing strategies for the Company
- Managing the sponsorship and marketing budgets, as set by the Board with reference to Committee recommendations

Sponsorship and Marketing Committee - terms of reference continued

- Consider and develop long term sponsorships and larger projects
- Consider and approve or where appropriate recommend to the Board for approval sponsorships and grants over \$5,000.
- Oversight the activities of the Sub-Committees
- Managing any external contractors appointed to assist the Committee and its Sub-Committees fulfil their tasks.

All Applications for sponsorships and grants will normally be assessed by the SM, prior to consideration by the Committee or the Sponsorship Sub-Committee.

Applications for funding will be acknowledged within 14 days to the person forwarding the application. Response to requests for funding will be provided within 90 days from receipt of application with a proposal to sponsor or not.

All grant applications will be referred to the Board for determination.

All grant applications will be assessed by the Committee and then a recommendation made to the Board for approval. Board approved payments can be actioned by the Committee.

The Committee will consider all sponsorship applications over \$5,000 from clubs, associations and organisations within our **Community Bank**[®] branches prime market areas. The Sponsorship Sub-Committee will consider applications up to \$5,000.

The Senior Manager (SM) will circulate to the Sponsorship Sub-Committee for consideration all sponsorship applications along with an assessment and recommendation. All applications for sponsorship over \$5,000 will also be circulated to the full Committee.

The Sponsorship and Marketing Committee has delegated authority from the Board to assess and approve sponsorship applications, and action the related payment, totalling up to \$20,000 in sponsorship over the life of the agreement.

The Sponsorship Sub-Committee has delegated authority to assess and approve applications up to \$5,000.

Sponsorship applications over \$20,000 are to be assessed and a recommendation presented to the Board for approval. Board approved payments can be actioned by the Committee. To assist the Committee with major projects, the Board may appoint one Board member or a team of Board members to progress a particular major project and report back to the Board.

When considering any sponsorship and grant applications, the Committee and the Sponsorship Sub-Committee will also consider appropriate marketing and promotional activities to be associated with such applications.

Where the Committee is unable to provide a sponsorship decision or a recommendation to the Board concerning any application (e.g. due to possible conflicts of interest etc.), the request will be referred to the Board for consideration.

The total of sponsorship and grant approvals and payments are to be within the annual budget provided and is subject to review by the Board from time to time. Exceptions require approval by the Board.

No sponsorship is to be provided to political organizations or for the purposes of religious or political proselytisation. This latter item does not exclude sponsorship of fetes, building and fabric related items or of events organized for the purpose of encouragement of tolerance and understanding.

A register of sponsorship and grant payments will be maintained. The Committee will arrange for the appropriate approvals and timely delivery and /or presentation of cheques / goods. The Committee and its Sub-Committees will ensure compliance with approval for payment procedures as set out by the Finance Committee or the Board.

Sponsorship and Marketing Committee - terms of reference continued

The Committee will provide an overview of the sponsorship and grant process and current status of payments made to new Board members as part of the Board Member Induction Kit.

The Committee will document the principles upon which we provide sponsorship and grants and monitor the value that the Company obtains from these arrangements.

The Committee is responsible for the management of the brand including ensuring consistency in application e.g. Style and use of Company logos and advertising, and style and use of marketing and promotion materials.

The Committee will receive reports from the Sub-Committees and include them in its meeting minutes which will be reported to the Board.

In association with its Sub-Committees and the Finance Committee, the Committee will draft an Annual Marketing Budget and an Annual Sponsorship and Grants Budget for consideration by the Board.

Should the Committee feel cause exists for significant additional sponsorship or promotional expenditure to be made on behalf of the Company, the Committee is responsible for preparing any necessary recommendations to the Board for further budget approval.

The Committee will review its performance and that of its Sub-Committees annually.

5 Duties and responsibilities of the Signage and Marketing Tools Sub-Committee

The Signage and Marketing Tools Sub-Committee will:

- Maintain an electronic register of Company logos
- Organise sources, seek quotations and buy signage and promotional materials for the Company
- Organise the production of promotional banners and signage via FastArt and local signage contractors
- Maintain the inventory of signage and promotional materials including of their distribution to sponsored organisations and the storage of materials for distribution
- Liaise with the SM on the storage of materials at Branches and the lending out of promotional material
- Prepare a standard pack of signage and promotional materials for new sponsorships
- Source special signage and promotional requirements
- Provide assistance to organisations to ensure that signage is in place and visible.

The Sub-Committee will provide to the Committee an estimated budget of signage and promotional material.

The Sub-Committee will provide a regular report of its activities to the Sponsorship and Marketing Committee.

6 Duties and responsibilities of the Communications and Publicity sub-Committee

The Communications and Publicity Sub-Committee is responsible for:

- Coordinating and overseeing the production of specific localised marketing materials with Bendigo Bank Marketing, including overseeing any advertisements of flyers ordered by the CROs in each branch on the FastArt system. The latter responsibility may be delegated to the Business Development Manager on a case-by-case basis.
- Supporting the branches in events such as birthday celebrations and involvement in community festivals
- Promoting significant sponsorships and grants to the wider community through advertising, in-branch publicity, Company newsletters and shareholder communications.
- Facilitating messages to appear in community organisations' newsletters and publications.
- Preparation of the cover for the Annual Report

Sponsorship and Marketing Committee - terms of reference continued

- Preparation of AGM Presentation to shareholders
- Organising and promoting the AGM
- Writing and distributing press releases and media management
- Organising shareholder/Customer/Community Events & Communications, including prospectus launches, information evenings, share issue announcements.

The Sub-Committee will organise the preparation and distribution of the Company newsletter (e.g. writing, compilation, editing and layout), including liaison with Bendigo Bank Marketing for copy and artwork approvals, alterations, photography management, talent release, printing costs and procurement. It will determine distribution systems including letterbox drops, shareholder mailing and direct delivery objectives.

The current objective is to produce a minimum of four Company newsletters per annum. The Director responsible for share registry liaison is to supply an up to date shareholder mailing list for the distribution of newsletters

The Sub-Committee will provide to the Committee an estimated budget of communications materials and activities.

The Sub-Committee will provide a regular report of its activities to the Sponsorship and Marketing Committee.

7 Duties and responsibilities of the sponsorship sub-Committee

The Sponsorship Sub-Committee is responsible for assessing and determining sponsorship applications up to \$5,000. Where an application could involve aggregate sponsorship of an organisation of over \$5,000 in a year, it will be referred to the Committee for consideration.

The Sub-Committee will provide an end of month report on sponsorship approvals to the Committee. This report will also be distributed to all Board members, Company Managers and staff.

Minor sponsorship applications up to \$1,000 can be assessed and approved by the SM specifically for business development purposes and reported monthly to the Sponsorship and Marketing Committee. Conditions include:

- Each minor application may not exceed \$1,000
- Requests must be in writing
- Confirmation that sponsorship funds are available within the annual budget limit
- The sponsorship will assist in improving the profitability of the Company and a “return on investment” report” stating the commercial advantage of the arrangement is to be provided to the Sponsorship and Marketing Committee
- Payments are into an account held at one of the Company **Community Bank**[®] branches.
- No more than \$1,000 in sponsorship per month per branch
- Only one application from any applicant in a 6 month period. Exceptions referred to the Sponsorship and Marketing Committee
- Minor sponsorships to be reported in the monthly Sponsorship Sub-Committee Report.

The Sub-Committee will provide to the Committee an estimated budget of sponsorships up to \$5,000.

The Sub-Committee will provide a regular report of its activities to the Sponsorship and Marketing Committee.

8 Power of the Committee

The Sponsorship and Marketing Committee and its Sub-Committees do not have any specific powers to authorise expenditure other than those provided under budgetary allowances or as agreed or scheduled by the Board. The Committee will account to the Board for all expenditure in its activities, in keeping with its allocated budget and decisions by the Board.

Sponsorship and Marketing Committee - terms of reference continued

9 Decision making

Decisions of the Sponsorship and Marketing Committee and its Sub-Committees are by a simple majority vote. Each voting member shall have one vote. In the case of an even vote the chair may exercise a further one vote. This vote may be exercised in favour of or against a proposal on its merits, rather than as a casting vote for the status quo.

Decisions may also be made on this basis outside of meetings by means of emails between Committee or Sub-Committee members.

10 Meetings

Meetings of the Committee and its Sub-Committees will be held at least quarterly or when events require or warrant further meetings, in the view of the Chairperson.

Initially the Sponsorship and Marketing Committee will meet monthly.

11 Records of the Committee and its sub-committees

All decisions and recommendations of the Sponsorship and Marketing Committee and its Sub-Committees are to be recorded in the minutes of meetings, and copies of all minutes are to be provided to members as soon as possible. The minutes must be confirmed at the following meeting or earlier by electronic means.

Minutes and reports of Sub-Committees are to be forwarded to the Sponsorship and Marketing Committee for inclusion in its minutes

A copy of the approved minutes of the Sponsorship and Marketing Committee is to be forwarded to the Company Secretary in time for them to be circulated with Agenda items for the next forthcoming Directors' meeting. This may require uploading the file to a specified location in eRoom.

The Committee is required to store all correspondence, applications, assessments and recommendations along with the minutes of the Committee. Applications for grants and sponsorships are to be available for review by all Board members.

All sponsorship agreements are to be documented along with the application record.

The Committee's Chairperson has the responsibility for all records of the Committee. Records will generally be kept with other Company documents at the Ashburton Branch.

The application assessment criteria are to be reviewed annually and the relevant application forms updated accordingly.

12 Reports of the Committee

The Sponsorship and Marketing Committee, reports to the Company Board.

Other than in exceptional circumstances, motions proposed to the Board by the Committee are to be supplied to the Company Secretary in time for them to be distributed with the agenda for the forthcoming Board meeting.

13 Dissolution of the Committee

The Committee can only be dissolved on resolution of the Board at a properly convened Board Meeting.

14 Performance of the Committee

The Committee will conduct an annual review of this Terms of Reference and the Committee's and the Sub-Committees' performance and provide recommendations to the Board for consideration.

Sponsorship and Marketing Committee - terms of reference continued

The Committee is to review and monitor sponsorship and marketing effectiveness and evaluate the results achieved for the Company

The promptness of payments and the impact of marketing and promotion activities and campaigns are to be measured as part of the performance assessment.

15 Clarification of terms used

Sponsorship is a conditional and commercial arrangement with another party for mutual benefit that provide marketing and business growth opportunities for the Company.

Grants are a gift to create goodwill. The recipient must consent to the publication of the grant and comply with any requirements in the "Application form" and "Grants Explanatory Brochure" and any other condition set by the Board. All grant applications will be decided by the Board.

Parties that usually apply for grants and sponsorship are clubs, associations and organisations that are a registered structure and either banking with the Company branches or have agreed to open accounts and bank with one of the Company branches.

The prime market area is normally the suburbs within the catchment area of one or more of the Company's **Community Bank**[®] branches that are within a reasonable distance from a Branch. Requests from applicants not close to the branch but that present an opportunity to increase banking business may also be considered.

The criteria for assessing a sponsorship application are

- (a) potential for loan and deposit business,
- (b) marketing opportunities to promote the **Community Bank**[®] branches via the applicant structure and
- (c) assessment of possible other relationships that may offer potential for banking business.

Sponsorship agreements of a term longer than 12 months must be specifically documented for audit purposes and signed by both parties and on record for inspection.

Sponsored organisations

Sponsored Group – 2010/2011	Amount
3 WBC radio / YWCA	\$1,450
AAC Public Tenants Group Inc	\$209
Alamein Neighbourhood and Learning Centre	\$900
Ashburton, Ashwood and Chadstone Youth Foundation (YAAC 1766)	\$38,627
Ashburton Bowls Club	\$1,913
Ashburton Community Centre	\$3,000
Ashburton Primary School	\$1,055
Ashburton Support Services	\$30,000
Ashburton United Junior Football Club	\$6,300
Ashburton United Soccer Club	\$265
Ashburton Willows Cricket Club	\$3,000
Ashburton Women's Soccer Club	\$4,000
Balwyn Cricket Club	\$4,000
Balwyn Football Club	\$11,015
Balwyn Junior Football Club	\$3,000
Balwyn Primary School	\$1,000
BassCare	\$8,869
Belmore Special School	\$10
Boroondara Cricket Club	\$3,000
Boroondara Eagles Football Club	\$11,000
Boroondara Netball Association	\$11,250
Bowen Street Community Centre	\$1,000
Box Hill Ballet Association	\$500
Box Hill RSL	\$2,225
Box Hill Tennis Club	\$3,000
BUGS Gymnastics	\$2,500
Bulleen Cricket Club	\$3,565
Burke and Beyond	\$55,000
Burwood Bulletin Inc	\$870
Burwood District Bowls Club	\$2,000
Burwood Cricket Club	\$3,000

Sponsored Group – 2010/2011	Amount
Burwood Village Traders Association	\$1,500
Camberwell Dragons Basketball Club	\$5,500
Camberwell Hockey Club	\$60
Camberwell Lacrosse	\$10
CamCare	\$5,500
Canterbury Cougars Basketball Club	\$15
Canterbury Council of Churches	\$500
Canterbury Cricket Club	\$13,275
Canterbury Football Club	\$13,050
Canterbury Girls Secondary College	\$2,200
Canterbury Junior Football Club	\$2,005
Canterbury Tennis Club	\$5
Ceres Calisthenics Club Inc.	\$300
Deepdene Uniting Cricket Club	\$1,000
Downs Syndrome Australia	\$550
Craig Family Centre	\$255
Deepdene Bears Cricket Club	\$3,000
East Burwood Football Club	\$6,600
East Malvern Golf Club	\$3,250
Eastern Cricket Umpires Association	\$2,000
EDAR	\$6,921
Eltham District Horse and Pony Club	\$1,500
Fintona Girls School	\$120
1st Glen Iris Scouts Group	\$300
Florence Road Pre School	\$1,260
Foundation Boroondara	\$5,500
Friends of Wattle Park	\$240
Glen Iris Cricket Club	\$3,000
Glen Iris Football Club	\$2,000
Glen Iris Rd Uniting Church & Community Centre	\$1,010

Sponsored organisations continued

Sponsored Group – 2010/2011	Amount
Hawthorn Amateur Football Club	\$5,315
Hawthorn Basketball Association	\$13,200
Hawthorn Cricket Club	\$3,000
Hawthorn Magic Jnr Basketball	\$2,200
Holy Trinity Anglican Church Surrey Hills	\$10
Interchange Inner East	\$2,500
Lions Club of Box Hill	\$2,000
Maling Rd Traders Association	\$8,000
Mont Albert Cricket Club	\$9,809
Moving Together Community Group	\$1,000
North Balwyn Cricket Club	\$3,285
Old Camberwell Grammarians Football Club	\$5,840
Old Trinity Grammarians Amateur Football Club	\$2,200
Our Holy Redeemer Primary School	\$665
Pied Piper Toy Library	\$1,000
Riversdale Soccer Club	\$6,414
Rotary Club of Balwyn	\$31,900
Rotary Club of Box Hill Central	\$2,500
Rotary Club of Camberwell	\$11,000
Rotary Club of Kew on Yarra	\$840
Rotary Club of Mont Albert & Surrey Hills	\$5,200
Rowen Street Kindergarten	\$1,005
Samarinda Aged Services	\$33,000
Scouts Association of Australia	\$600
South Camberwell Basketball Club	\$3,000
St Barnabas Cricket Club	\$1,000
STC South Camberwell Cricket Club	\$3,010
South Yarra Football Club	\$1,825
St Kevin's Old Collegians Cricket Club	\$1,000
St Paul's Kindergarten	\$1,000
Strathcona Baptist Girls Grammar	\$3,000

Sponsored Group – 2010/2011	Amount
Surrey Hills Cricket Club	\$3,000
Surrey Hills Ladies Probus Club	\$75
Surrey Hills Music Festival	\$5,500
Surrey Hills Neighbourhood Centre	\$1,635
Surrey Hills Progress Association	\$1,000
Surrey Hills Primary School	\$5,080
Surrey Park Football Club	\$4,855
Surrey Park Junior Football Club	\$2,200
Surrey Park Lacrosse	\$3,265
Surrey Park Swimming Club	\$3,895
The Edge Community Fund Inc	\$2,000
Trinity Willison Cricket Club Inc	\$3,000
Victoria Police (Boroondara)	\$3,000
Victorian Dog Obedience Club	\$587
Wattle Day Committee	\$100
Wattle Park Primary School	\$55
Waverley Bridge Club Inc	\$3,300
Wyclif Cricket Club Inc	\$3,000
Total cash sponsorships for 2010/2011	\$511,816

Directors' report

For the financial year ended 30 June 2011

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

Directors

The names of Directors who held office during the year and until the date of this report are:

Director	Experience	Committee memberships
Hans Diederick Menting Chairman – Non Executive BCom, MBA(Melb), AICD	Banking, finance & administration for 35 years. Small business owner/operator & Councillor.	Member – Staff Committee Member – Sponsorship & Marketing Committee Member – Finance Committee
Robert Einar Stensholt Deputy Chairman – Non Executive BA, BD(Hons), M Int. Law, Dip. Phil	Director of consulting Company Former State MP, senior research fellow, Ass. Dir. Gen. AusAID, Diplomat, Teacher	Chairman – Staff Committee Chairman – Sponsorship & Marketing Committee Member – Finance Committee
Juliann Ruth Byron Treasurer – Non Executive BCom, Grad Dip CM, FCPA, FAICD, ACIS, FTIA	Finance, Company Secretary, management & governance. Director of Western Health & Victorian Cytology Service.	Chairman – Finance Committee Member – Audit & Governance Committee Member – Sponsorship & Marketing Committee
Damien Leo Hudson Non Executive Director	10 years experience in real estate & management	Chairman – Asset Management Committee Member – Sponsorship & Marketing Committee
Trevor Roland Kempton Non Executive Director Resigned 26 July 2011	Small business owner, business management & marketing.	Member – Sponsorship & Marketing Committee Member – Audit & Governance Committee
Leigh Warren Smith Non Executive Director	Business owner, business management experience. Director of Allsmith Pty Ltd, Goulburn Motor Group (Vic) Pty Ltd, Goulburn Motor Group (Vic) Properties Pty Ltd, Quatro Grande Pty Ltd, Quatro Grande Properties Pty Ltd.	Member – Sponsorship & Marketing Committee Member – Finance Committee

Directors' report continued

Directors (continued)

Gordon Lennox McFarlane Non Executive Director Cert Bus (Acc), BBus, CPA, MBA JP in Victoria	Executive Melbourne Water. Business management, finance, contract management, governance. Sugarloaf Pipeline Alliance ALT.	Chairman – Audit & Governance Committee Member – Asset Management Committee Member – Sponsorship & Marketing Committee
John James Grace Non Executive Director FAIM FCSA Appointed 23 March 2011	Former General Manager of Catholic Schools Provident Fund, Current General Manager of Steam Teamwear Pty Ltd	Member – Sponsorship & Marketing Committee Member – Staff Committee

Directors were in office for the entire period unless otherwise stated.

Review and results of operations

The net profit of the Company for the financial period was \$309,118 (2010: \$217,591).

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.

Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank**[®] services under management rights to operate three franchised branches of Bendigo and Adelaide Bank Ltd in Canterbury, Surrey Hills and Ashburton, Victoria.

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

Significant events after the balance date

The Company has entered into a lease for a premises in Whitehorse Road Balwyn pursuant to a proposed new branch opening (see Likely Developments). There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Trevor Roland Kempton resigned from his position as Director on 26 July 2011.

Likely developments

The Company has completed a feasibility study into the establishment of a further branch in Whitehorse Road Balwyn. The Company expects to issue a prospectus for a capital raising of up to \$500,000 pursuant to a members resolution at the Annual General Meeting held on 16 November 2010 to assist with the funding of this new branch. The Directors estimate this new branch will be opened during 2011.

Directors' report continued

Dividends

A dividend of 5 cents per share was paid in the year ended 30 June 2011 (2010: nil). The Directors have determined that a dividend of 6 cents per share will be paid for the 2011 year and is expected to be paid in September 2011. No share capital return was paid in the year ended 30 June 2011 (2010: nil).

Share options

The Company has granted no options on unissued shares at any time.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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

Company Secretary

The Company Secretaries at 30 June 2011 were:

Secretary	Qualifications	Experience
Juliann Ruth Byron	BCom, Grad Dip CM, FCPA, FAICD, ACIS, FTIA	Experienced Director Company Secretary of public companies.
Geofery Leslie Rowles	BBus, PG Dip Man, MBA, CPA, F Fin, MAICD	Experienced Director and Secretary of public companies, Managing Director of Principled Mortgage Investments Ltd

Directors' meetings

During the financial year, the Directors conducted the following number of meetings for the Board as a whole and each committee (listed together with the attendance record of each Director). Attendances by each Director during the year were as follows:

Directors' report continued

Directors' meetings (continued)

	Directors' meetings		Committee meetings									
			Audit & governance committee		Finance committee		Marketing & sponsorship committee		Staff committee		Asset management committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Hans Diederick Menting	10	9			8	6	11	10	4	4		
Robert Einar Stensholt	10	7			8	8	8	8	4	4		
Juliann Ruth Byron	10	9	8	8	8	8	5	2		1		
Damien Leo Hudson	10	10					5	4			2	2
Trevor Roland Kempton	10	6	8	4			5	5				
Leigh Warren Smith	10	7			8	1	7	6				
Gordon Lennox McFarlane	10	8	8	8		1	8	5			2	2
John James Grace	10	8				1	7	6		1		

Non-audit services

The amount paid or payable to the Auditor (Richmond Sinnott & Delahunty) for non-audit services provided during the year ended 30 June 2011 was \$8,878 (2010: \$6,075).

The Directors are satisfied that the provisions of non-audit services by the Auditor did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

Remuneration report

a) Policies

Directors may receive a fee from a remuneration pool. Office holders of the Board and committee Chairperson's may receive higher fees than other Directors. These payments are made in recognition of the work undertaken by Directors that would otherwise be carried out by paid executive staff and/or professional service providers, and therefore are not contingent upon Company performance.

The determination of individual Board member payments are made by the Board after considering the relative workloads involved. Directors may elect to not receive any payments.

An allowance was paid to some Directors and an officer to cover expenses incurred on behalf of the Company. The total paid in allowances for the year was \$7,000 (2010: \$4,500).

Directors' report continued

Remuneration report (continued)

a) Policies (continued)

The remuneration of the Senior Manager has been split into two parts. The first is a base salary that is not contingent upon Company performance. The second is a bonus, the quantum of which is determined by the Staff Committee after a review of the performance of the Company and various Key Performance Indicators (KPIs) set by the Staff Committee for the Senior Manager. All remuneration is made on a cash basis.

The KPIs for the Senior Manager are aligned to business growth indicators such as increase, on a per branch basis, of loans, deposits and other business, taking into account the relative returns to the Company of each product line. Other KPIs include community engagement and conversion of business from that engagement.

The Company did not engage any remuneration consultants in reviewing its remuneration structure for the 2011 financial year. From 1 July 2011, public companies have additional reporting obligations if they receive a 'no' vote of 25% or higher at their previous Annual General Meeting (AGM). At the 2010 AGM, the Company recorded a 'no' vote of 0.00% on its remuneration report.

b) Directors' remuneration

Director remuneration for the year ended 30 June 2011 is set out in the table below. For the purpose of Section 300A(1)(c), the amount of each prescribed detail is nil unless set out in the table:

	Short term employee benefits		Post employment benefits
	Cash salary	Bonuses	Superannuation
Hans Diederick Menting	21,000	0	0
Robert Einar Stensholt	2,500	0	0
Juliann Ruth Byron	10,000	0	0
Damien Leo Hudson	2,000	0	0
Trevor Roland Kempton	1,000	0	0
Leigh Warren Smith	Nil	0	0
Gordon Lennox McFarlane	2,000	0	0
John James Grace	500	0	0

c) Officers' remuneration

Nicholas Coker is employed under an ongoing contract. The period of notice required under the contract to terminate the employment is four weeks.

	Short term employee benefits		Post employment benefits
	Cash salary	Bonuses	Superannuation
Geofery Leslie Rowles	0	0	0
Nicholas Coker	\$119,000	\$7,000	\$11,000

Directors' report continued

Additional information

(a) In accordance with Bendigo Stock Exchange listing rule 3.17, the Company provides the following information as at 25 August 2011, which is within six weeks of this report being sent to shareholders.

(b) Annexure 3A

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

(c) Corporate governance

The Board of Directors has adopted a proactive approach to ensure that the structures, values and behaviours of the Company have the interests of its stakeholders as a focus. This approach includes a series of procedures and policies for monitoring the performance of the Company against these values.

The Board has established a number of Committees with clearly defined Terms of Reference for each Committee, which are approved by the Board. The Terms of Reference for each Committee outlines the roles and responsibilities of the Committee, including reporting requirements and limitations on the delegated authorities.

The Audit & Governance Committee has a Terms of Reference that has been drafted after considering the recommendations of Australian Standard AS8000 Good Governance Standards. In addition to the Director members, the Company Secretary is a member of the Audit & Governance Committee in order to provide compliance assistance. This Committee reviews the processes, procedures and policies of the Company, including those of the other Committees, and makes recommendations to the Board regarding the improvement of the governance standards.

The Committees meet as often as the matters under their care require, with the frequency adjusted depending on the issues requiring their attention. The entire Board meets monthly to review the written minutes of all Committee meetings and to make decisions referred to it by the Committees or management.

The Board as a whole retains certain key functions, such as:

- Developing the Company's long term objectives and strategic direction
- The approval of financial budgets and accounts
- Appointment and removal of executive management
- Approval of large or longer term contracts.

All executive positions are vacated after the Annual General Meeting and the Board is responsible for determining who will hold these positions when vacant.

(d) The Company has not received any substantial shareholding notices under Section 671B(3) of the Corporations Act.

(e) There are 731 holders of ordinary shares in the Company.

(f) Each shareholder is entitled to one vote in a show of hands or a poll. If a shareholder has appointed more than one representative, proxy or attorney for the shareholder, only one of the representatives, proxies or attorneys is entitled to vote. If a person is entitled to vote on a show of hands in more than one capacity, that person is entitled only to one vote.

Directors' report continued

Additional information (continued)

- (g) 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	302
1,001 to 5,000	333
5,001 to 10,000	64
10,001 to 100,000	32
100,001 and over	nil

- (h) There are 304 shareholders holding less than a marketable parcel of shares (\$500 in value).

- (i) The following table shows the ten largest shareholders:

Shareholder	Number of shares	Percentage of capital
Adrienne Leslie Murray	100,000	3.86%
Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund A/C>	79,600	3.07%
Richard Everritt Thorne	50,000	1.93%
Kevin Francis McCormack	49,000	1.89%
Richard Middleton <Marpjz Super Fund A/C>	40,000	1.54%
Leigh Smith & Felicity Smith <EB Investment Fund A/C>	40,000	1.54%
Wayne Austen & Erica Austen	38,000	1.47%
John Henry Anderson & Patricia Noreen Anderson	30,000	1.16%
KDB Pty Ltd	21,000	0.81%
Ronald Arthur Daly & Christine Anne Daly <Daly Superannuation Fund A/C>	20,000	0.77%

- (j) The Company secretaries are Geofery Leslie Rowles and Juliann Ruth Byron

- (k) The Company's contact details for the registered office and principled administrative office are:

143 Maling Road
Canterbury VIC 3126
Phone: (03) 9836 9466

- (l) The securities register (share register) is kept at:

Richmond Sinnott & Delahunty
Level 2, 10-16 Forest Street
Bendigo VIC 3550
Phone: (03) 5443 4200

Directors' report continued

Additional information (continued)

- (m) There are no restricted securities on issue.
- (n) There are no unquoted equity securities issued.

Auditor Independence Declaration



**Richmond
Sinnott &
Delahunty**

CHARTERED ACCOUNTANTS

Level 2, 10 -16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditors Independence Declaration

In relation to our review of the financial report of Canterbury Surrey Hills Community Finance Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Philip Delahunty
Partner

Richmond Sinnott & Delahunty

Bendigo

31 August 2011

Signed in accordance with a resolution of the Directors in Melbourne on 31 August 2011.

Hans Diederick Menting, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	2,698,576	2,141,558
Employee benefits expense	3	(1,151,858)	(946,377)
Charitable donations and sponsorship		(409,594)	(223,463)
Depreciation and amortisation expense	3	(78,596)	(76,882)
Other expenses		(607,174)	(594,202)
Profit before income tax expense		451,354	300,634
Income tax expense	4	142,236	83,043
Profit after income tax expense		309,118	217,591
Other comprehensive income		-	-
Total comprehensive income		309,118	217,591
Earnings per share (cents per share)			
- basic for profit for the year	22	11.93	8.40
- diluted for profit for the year	22	11.93	8.40

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	554,644	412,783
Receivables	7	738,721	585,416
Total current assets		1,293,365	998,199
Non-current assets			
Property, plant and equipment	8	293,273	324,947
Intangible assets	9	124,048	143,773
Total non-current assets		417,321	468,720
Total assets		1,710,686	1,466,919
Current liabilities			
Payables	10	148,803	150,070
Current tax liability	11	78,710	22,424
Provisions	12	34,941	25,767
Total current liabilities		262,454	198,261
Total liabilities		262,454	198,261
Net assets		1,448,232	1,268,658
Equity			
Share capital	13	1,302,239	1,302,239
Retained earnings / (accumulated losses)	14	145,993	(33,581)
Total equity		1,448,232	1,268,658

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		2,783,647	2,078,407
Cash payments in the course of operations		(2,427,977)	(1,972,449)
Interest received		28,882	16,867
Income tax paid		(85,950)	(38,092)
Net cash flows provided from operating activities	15b	298,602	84,733
Cash flows from investing activities			
Payments for property, plant and equipment		(1,000)	(25,574)
Payments for intangible assets		(26,197)	-
Net cash flows (used in) from investing activities		(27,197)	(25,574)
Cash flows from financing activities			
Dividends paid		(129,544)	-
Net cash flows (used in) financing activities		(129,544)	-
Net increase in cash held		141,861	59,159
Cash and cash equivalents at start of year		412,783	353,624
Cash and cash equivalents at end of year	15a	554,644	412,783

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Note	2011 \$	2010 \$
Share capital			
Balance at start of year		1,302,239	1,302,239
Return on capital		-	-
Issue of share capital		-	-
Balance at end of year		1,302,239	1,302,239
Retained earnings/(accumulated losses)			
Balance at start of year		(33,581)	(251,172)
Profit/(loss) after income tax expense		309,118	217,591
Dividends paid	21	(129,544)	
Balance at end of year		145,993	(33,581)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Canterbury Surry Hills Community Finance Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 31 August 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have a material impact on the Company's financial statements.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

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

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

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

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

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

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	7.5 - 100%

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

Notes to the financial statements continued

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

Goods and services tax (continued)

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.

Employee benefits

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

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

Intangibles

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

Cash

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

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

Revenue

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

Receivables and payables

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

Loans and borrowings

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

Provisions

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

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

Notes to the financial statements continued

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

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparative figures

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

	2011	2010
	\$	\$

Note 2. Revenue from continuing operations

Operating activities:

- services commissions	2,669,694	2,124,691
	2,669,694	2,124,691

Non-operating activities:

- interest received	28,882	16,867
- other revenue	-	-
	28,882	16,867
	2,698,576	2,141,558

Note 3. Expenses

Employee benefits expense

- wages and salaries	916,450	782,040
- superannuation costs	85,299	48,635
- workers' compensation costs	5,196	4,165
- other costs	144,912	111,537
	1,151,858	946,377

Depreciation of non-current assets:

- plant and equipment	32,674	30,960
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangibles	45,922	45,922
	78,596	76,882
Bad debts	1,420	645

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%	135,406	90,190
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	6,830	(7,147)
Current income tax expense	142,236	83,043
Income tax expense	142,236	83,043

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	3,900	3,900
- Share registry costs	8,878	6,075
	12,778	9,975

Note 6. Cash and cash equivalents

Cash at bank and on hand	554,644	412,783
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Note 7. Receivables

Accrued income	256,509	226,528
Deposits	54,571	24,321
Prepayments	427,641	334,567
	738,721	585,416

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 8. Property, plant and equipment

Plant and equipment

At cost	764,232	763,232
Less accumulated depreciation	(470,959)	(438,285)
Total written down amount	293,273	324,947

Movements in carrying amounts

Plant and equipment

Carrying amount at beginning of year	324,947	330,333
Additions	1,000	25,574
Disposals	-	-
Depreciation expense	(32,674)	(30,960)
Carrying amount at end of year	293,273	324,947

Note 9. Intangible assets

Franchise fee

At cost	224,810	224,810
Less accumulated amortisation	(177,054)	(152,092)
	47,756	72,718

Preliminary expenses

At cost	241,733	215,536
Less accumulated amortisation	(165,441)	(144,481)
	76,292	71,055
	124,048	143,773

Note 10. Payables

PAYG withholding	18,752	15,322
Other creditors and accruals	130,051	134,748
	148,803	150,070

Notes to the financial statements continued

	2011 \$	2010 \$
Note 11. Current tax liabilities		
Current tax payable	78,710	22,424

Note 12. Provisions

Employee benefits	34,941	25,767
Movement in employee benefits		
Opening balance	25,767	36,297
Additional provisions recognised	31,445	25,803
Amounts utilised during the year	(22,271)	(36,333)
Closing balance	34,941	25,767

Note 13. Share capital

1,092,062 Ordinary shares fully paid to 82 cents (2010: 82 cents) each	895,491	895,491
406,748 Ordinary shares fully paid to \$1 each	406,748	406,748
	1,302,239	1,302,239

* 1,092,062 shares were issued on 3 October 2008 as a bonus at the ratio of 1:1.

Movement in ordinary shares		
Balance at beginning of year	1,302,239	1,302,239
Issued capital	-	-
Return on capital of nil cents per share (2010: nil)	-	-
Balance at end of year	1,302,239	1,302,239

Note 14. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(33,581)	(251,172)
Profit after income tax	309,118	217,591
Dividend paid during the year	(129,544)	-
Balance at the end of the financial year	145,993	(33,581)

Notes to the financial statements continued

	2011 \$	2010 \$
Note 15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash at bank and on hand	554,644	412,783
(b) Reconciliation of profit/(loss) after tax to net cash provided from operating activities		
Profit/(loss) after income tax	309,118	217,591
Non cash items		
- Depreciation	32,674	30,960
- Amortisation	45,922	45,922
Changes in assets and liabilities		
- (Increase) decrease in receivables	(153,305)	(258,753)
- Increase (decrease) in payables	(1,267)	14,592
- Increase (decrease) in provisions	9,174	(10,530)
- Increase (decrease) in income tax payable	56,286	22,424
- (Increase) decrease in deferred income tax asset	-	22,527
Net cash flows provided from operating activities	298,602	84,733

Note 16. Director and related party disclosures

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

Hans Diederick Menting
 Robert Einar Stensholt
 Damien Leo Hudson
 Juliann Ruth Byron
 Trevor Roland Kempton (resigned 26 July 2011)
 Leigh Warren Smith
 Gordon Lennox McFarlane
 John James Grace (appointed 23 March 2011)

Other than detailed below no Director or related entity has entered into a material contract with the Company.

K-Mack Lockers Pty Ltd of which Hans Menting is a Director received a payment of \$nil (2010: \$346) for the purchase of filing cabinets during the year ended 30 June 2011.

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 \$7,000 (2010: \$4,500).

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Directors may receive a fee from a remuneration pool. Office holders of the Board and committee Chairperson's may receive higher fees than other Directors. These payments are made in recognition of the work undertaken by Directors that would otherwise be carried out by paid executive staff and/or professional service providers, and therefore are not contingent upon Company performance.

The determination of individual Board member payments are made by the Board after considering the relative workloads involved. Directors may elect to not receive any payments.

Director remuneration for the year ended 30 June 2011:

	Primary benefits salary & fees 2011 \$	Primary benefits salary & fees 2010 \$
Hans Diederick Menting	21,000	21,000
Robert Einar Stensholt	2,500	-
Damien Leo Hudson	2,000	3,000
Juliann Ruth Byron	10,000	10,000
Trevor Roland Kempton (resigned 26 July 2011)	1,000	1,000
Leigh Warren Smith	-	-
Gordon Lennox McFarlane	2,000	2,000
John James Grace (appointed 23 March 2011)	500	-
Directors' shareholdings	2011	2010
Hans Diederick Menting	7,002	7,002
Robert Einar Stensholt	18,500	18,500
Damien Leo Hudson	12,802	12,802
Juliann Ruth Byron	8,000	8,000
Trevor Roland Kempton (resigned 26 July 2011)	-	-
Leigh Warren Smith	40,000	40,000
Gordon Lennox McFarlane	2,500	2,500
John James Grace (appointed 23 March 2011)	-	-

There was no movement in Directors' shareholdings during the year.

Notes to the financial statements continued

Note 17. Subsequent events

The Company has entered into a lease for a premises in Whitehorse Road Balwyn pursuant to a proposed new branch opening (see Likely Developments in the Directors Report).

There are no other 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 18. Contingent liabilities and assets

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

Note 19. Segment reporting

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

Note 20. Corporate information

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

The registered office and principal place of business is:

Registered office	Principal places of business
143 Maling Road, Canterbury VIC 3126	Surrey Hills Community Bank [®] Branch 107 Union Road, Surrey Hills VIC 3127
	Canterbury Community Bank [®] Branch 143 Maling Road, Canterbury VIC 3126
	Ashburton Community Bank [®] Branch 241 High Street, Ashburton VIC 3147

Notes to the financial statements continued

	2011 \$	2010 \$
Note 21. Dividends paid or proposed for on ordinary shares		
(a) Dividends paid during the year		
Final franked dividend for the year ended 30 June 2011 of 5 cents (2010: Nil cents)	129,544	-
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	68,522	38,092
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	78,710	22,424
	147,232	60,516

The tax rate at which dividends have been franked is 30%.

Note 22. Earnings per share

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

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

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

Profit after income tax expense	309,118	217,591
Weighted average number of ordinary shares for basic and diluted earnings per share	2,590,872	2,590,872

Note 23. Financial risk management

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

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

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

Notes to the financial statements continued

Note 23. 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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2011 \$	2010 \$
Cash assets	554,644	412,783
Accrued income and deposits	311,080	250,849
	865,724	663,632

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 (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2011					
Payables	148,803	(148,803)	(148,803)	-	-
	148,803	(148,803)	(148,803)	-	-

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2010					
Payables	150,070	(150,070)	(150,070)	-	-
	150,070	(150,070)	(150,070)	-	-

(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	
	2011 \$	2010 \$
Fixed rate instruments		
Financial assets	500,000	311,250
Financial liabilities	-	-
	500,000	311,250
Variable rate instruments		
Financial assets	54,644	101,533
Financial liabilities	-	-
	54,644	101,533

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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

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

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 2011 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of 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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001;
- (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 2011.



Hans Diederick Menting, Chairman

Signed in Melbourne on 31 August 2011.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Canterbury Surrey Hills Community Finance Limited, for the year ended 30 June 2011.

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

Partners: Kenneth J Richmond • Warren J Sinnott • Phillip P Delahunty • Brett A Andrews
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Independent audit report continued

INDEPENDENCE

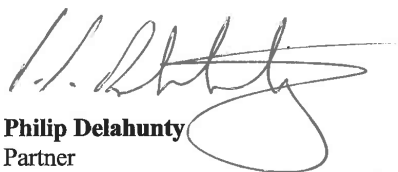
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



Philip Delahunty
Partner
Bendigo

Date: 31 August 2011



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 Phone: (03) 9885 2666 Fax: (03) 9885 6166

Surrey Hills **Community Bank**[®] Branch
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 Bendigo and Adelaide Bank Limited,
 The Bendigo Centre, Bendigo VIC 3550
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 (BMPAR11084) (09/11)

