



annual report **2012**

Carrum Downs Financial
Services Limited

ABN 89 088 990 470

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Chairman's report

For year ending 30 June 2012

It is with great pleasure that I present to you my first report as Chairman of Carrum Downs Financial Services Pty Ltd.

I wrote to all shareholders following our AGM last year to announce the results of our Board elections and again would like to thank Gary Rowe for his vision and dedication as founding Chairman.

It has been a productive year for our business and for the entire **Community Bank**[®] network.

Some major announcements

Each year the Directors review and update our five-year Strategic Business Plan and this year we have addressed the following matters:

1. The possibility of opening of a second branch. The Board has worked exceptionally hard to identify a potential second site for our business to expand its offering. At the time of writing, in conjunction with our partners at Bendigo Bank, we have negotiated conditional approval to progress this proposal at Marriot Waters Shopping Centre in Lyndhurst. This is an area of massive residential and commercial development and we believe the **Community Bank**[®] model will ideally suit this emerging suburb. We have committed both substantial time and money in investigating this opportunity and making sure it is right for our business.
2. The Board has appointed Mr Len Barda to the role of Senior Manager to oversee both the existing business but also importantly the expansion of the business. Len comes to us with over 29 years of experience, his most recent in Senior Management roles with the Commonwealth Bank. Len lived in Carrum Downs for over 15 years and looks forward to re-joining our local community. (A short introduction to Len is also included within this Annual Report).
3. The Board has committed to a refit of the Carrum Downs **Community Bank**[®] Branch to bring it in to line with the latest bank design utilised by Bendigo Bank - the "Branch of the Future". The new layouts have proven to be very successful in engaging with clients at a more personal level and thus allowing us to have a more service orientated approach to the customers needs. We will also incorporate the latest banking technology. It is expected that these refurbishments will be scheduled to commence in late February.

\$80 million returned to communities

Thanks to the support of **Community Bank**[®] customers and shareholders the Australia-wide network has now returned more than \$80 million to support and strengthen local communities.

Our **Community Bank**[®] branch has played a key role in this milestone, returning more than \$1.3 million to our local community with a further \$808,000 in dividends returned to local shareholders since our opening (including \$0.28 per share again this year).

These community grants and sponsorships have made a significant difference to a number of local organisations and we look forward to continuing to support these groups and others as more people bank with us and we become more successful.

A summary of these contributions are listed below:

Community contribution to:			
Family Services	\$11,022	Sporting Clubs	\$113,246
Children / Youth	\$30,020	Schools	\$12,423
Senior Citizens	\$7,863	Christmas Carols Events	\$6,000
Business forums	\$1,364	Coast Guard and Surf Lifesaving equipment	\$31,817
Total community contributions for the 2011/12 financial year			\$213,755

Chairman's report (continued)

Interest rate movements

Our **Community Bank**[®] company and our partner Bendigo and Adelaide Bank, encourages transparency when setting interest rates and fees.

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated judgement calls on who they choose to do their banking business with.

Our **Community Bank**[®] branch is committed to appropriately adjusting its interest rates (be it up or down) to ensure a fair balance is achieved between all of our stakeholders - borrowers, depositors, shareholders staff and the communities we partner with.

Cost of funding

There is no doubt that all banks face higher funding costs, following changes in the economic environment triggered by the Global Financial Crisis.

Funding for all banks is expensive and likely to remain so, as a result margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

We support our partner Bendigo and Adelaide Bank in its decision making and believe it is committed to striking a fair balance between all key stakeholders - borrowers, depositors, shareholders staff and the wider communities - when it sets interest rates.

Ratings upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P).

S&P's decision to raise the Bank's long-term rating from BBB+ to A- means the Bank, including its **Community Bank**[®] partners, is now rated 'A' by all three of the world's leading credit rating agencies.

Government guarantee

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the "government guarantee", lowering it from \$1 million to \$250,000 effective 1 February 2012.

All **Community Bank**[®] branches operate under Bendigo and Adelaide Bank's banking licence, and as such all deposits held with a **Community Bank**[®] branch are guaranteed by the Federal Government and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank.

Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe in our **Community Bank**[®] branch.

Our amazing team

I would like to take this opportunity to thank our dedicated branch team of Len, Mick, Liz, Belinda, Julie, Teresa, Anne, Lauren, Donna and Fran for all their hard work and dedication over the past year.

My special thanks to my fellow Directors, Trevor Collins, Gary Rowe, Malcolm Wells, Christine Grayland, Jason Pater, Terry Rankin and our company Secretary Natalie Fairlie for all their hard work and dedication.

Thank you for your continued support. We look forward to continuing serving you, our shareholders and the community.



Greg Sugars JP FAICD
Chairman

Senior Manager's report

Introducing Len Barda



Len Barda has been appointed Senior Branch Manager of the Carrum Downs **Community Bank**[®] Branch and will be managing all aspects of the business including expansion and development. Len is excited about returning to Carrum Downs where he lived for 15 years and the role represents a great opportunity for him to combine 29 years of financial services experience across the Retail, Private, Business and Institutional Banking sectors. Len is looking forward to representing the branch in this role and is enthusiastic about making a significant contribution to the community and serving the local community in his role.

For year ending 30 June 2012

I consider it to be a great privilege to have been appointed to the role of Senior Branch Manager and I am genuinely excited about joining the team and the opportunity to help develop and grow our business and to build on what has clearly been a successful past.

My review of the 2012 financial year's performance highlights that it was certainly an interesting and challenging year for our business, the financial services industry and the economy in general. Due to a focussed effort by the team, we managed to grow our balances by \$3.6 million (approx) to \$132.678 million as at 30 June 2012. This compares to our June 2011 balances of \$129.058 million, so we closed out the year with a positive result.

Similar to the previous year, the majority of the growth was in lending balances, which grew by \$2.687 million. Deposit balances grew by approximately \$930,000 in what was, and what continues to be an extremely competitive environment.

It is pleasing to report that our profit per million (of revenue) remains one of the highest compared to our peers in other **Community Bank**[®] branch sites.

Our branch again performed extremely well in the "Mystery Shopper" surveys with the survey results placing Carrum Downs **Community Bank**[®] Branch in the top three best performers in our region and in the top quartile for **Community Bank**[®] branches nationally. This is testament to the ongoing commitment and great service provided by our loyal team. My congratulations and thanks go to Mick, Liz, Anne, Belinda, Julianne, Teresa, Lauren and Donna, who clearly provide a standard of service that is genuine in its commitment to assist our many customers. Without their ongoing support and dedication, Carrum Downs **Community Bank**[®] Branch would not be the successful branch that it is.

The 2013 financial year will be an exciting year filled with challenges and opportunities. The team is excited at the prospect of transforming our current branch to a "Branch of the Future" as it will enable us to engage with our customers on an even more personalised level in identifying and helping them achieve their financial goals and aspirations. The possibility of a second site under the Carrum Downs umbrella also presents an exciting opportunity to further develop and grow our business and one that will enable us to build on our successful past and make an even greater contribution to the community in the future.

Remember, it is only through your support and the support of the community that we are able to do the great work that we continue to do in the community.



Len Barda
Senior Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors present their report on the company for the financial year ended 30 June 2012.

The names of the Directors and Company Secretary in office at any time during, or since the end of the year are:

Mr Greg Sugars	JP, FAICD, AFAIM, Dip Bus(Mgmt), Adv Dip Bus (Mktg)
Mr Trevor Collins	MAICD
Mr Lindsay Wells	CPA, B.Bus (Acc), Dip FinServ (Fin Plan), GAICD
Mr Jason Pater	FCA, B.Comm, Dip FinServ (Fin Plan), GAICD
Mr Gary Rowe	GAICD, Dip FinServ (MBM)
Mrs Christine Grayland	Cert. Shopping Centre Mgmt, MAICD
Mr Terry Rankin	MAICD
Mrs Natalie Fairlie (Company Secretary)	BA, LLB

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The company's profit for the financial year after providing for income tax amounted to \$275,329.

No significant changes in the company's state of affairs occurred during the financial year.

The principal activities of the company during the financial year were the operation of **Community Bank**[®] franchise in Carrum Downs.

No significant change in the nature of these activities occurred during the year.

No matters or circumstances have arisen since the end of the financial year which 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 financial years.

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends paid or declared since the start of the financial year are as follows:

- Fully franked dividends totalling 0.28 cents per share were paid during the financial year totaling \$96,743. (2011: \$96,743).

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Officer or Auditor of the company.

Directors' report (continued)

Remuneration report

Under the Corporations Act 2001 s300A and Regulation 2M.3.03, the company is required to disclose information about its remuneration policy and practice in relation to the remuneration of "key management personnel". Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company. For the purposes of this report, the Board has decided that key management personnel of the company are the Directors, the Company Secretary and the Branch Manager. The Board's policy in relation to remuneration is as referred to below and advised to shareholders at the AGM held on 21 February 2011 (for the financial year ended 2010), the basis of that policy being that key management personnel are remunerated at a rate considered reasonable which remains conservatively below the independent consultant's recommendations (prepared by Enterprise Care, Mr Damien Smith, Review of Non-Executive Director Remuneration, dated November 2010 ("Report"). The Board confirms that this Report was obtained without any undue influence and the consultant was appointed as an independent advisor to the Board.

Accordingly the following table sets out the remuneration including superannuation relating to key management personnel for the year ended 30 June 2012:

Greg Sugars; Director (Chairman 7 months, commencing December 2011 to June 2012)	\$35,197
Gary Rowe; Director (Chairman 5 months, commencing July, ending November 2011)	\$34,063
Trevor Collins; (Director)	\$27,250
Lindsay Wells; (Director)	\$27,250
Christine Grayland; (Director)	\$27,250
Terry Rankin; (Director)	\$27,250
Jason Pater; (Director)	\$27,250
Natalie Fairlie (Company Secretary)	\$21,163
Mick Spruhan (Branch Manager)	\$103,407

Please also refer to Note 19 of the Financials, relating to Related Party Transactions.

Meetings of Directors

During the financial year, attendances at Directors' meetings and committee meetings were as follows:

Director	Directors' meetings		Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Greg Sugars	11	11	5	5
Mr Trevor Collins	11	10	4	4
Mr Lindsay Wells	11	11	4	4
Mr Jason Pater	11	11	3	3
Mr Gary Rowe	11	9	-	-

Directors' report (continued)

Meetings of Directors (continued)

Director	Directors' meetings		Committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mrs Christine Grayland	11	10	14	14
Mr Terry Rankin	11	10	12	12
Mrs Natalie Fairlie (Company Secretary)	8	7	-	-

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the Board of Directors:



Gregory Sugars
Director



Lindsay Wells
Director

Date: 26 September 2012

Auditor's independence declaration

Auditors' independence declaration

Under Section 307C of the Corporations Act 2001

To the directors of Carrum Downs Financial Services Ltd

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

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to

Name of Firm: Venn Milner & Co
Chartered Accountants


Name of Partner: Mr. L.A. Milner A.C.A Registered Auditor

Address: Suite 1, 10-12 Chapel Street, Blackburn VIC 3130

Date 26th September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	1,734,090	1,686,602
Accountancy expenses		(36,267)	(30,808)
Advertising expenses		(14,208)	(12,279)
Auditor's remuneration	3	(6,000)	(6,000)
Bad and doubtful debt expenses	4	(4,416)	(1,615)
Depreciation and amortisation expenses	4	(9,061)	(11,441)
Directors' fees		(188,635)	(146,893)
Employee benefits expenses		(568,812)	(576,529)
Lease expenses	4	(17,900)	(19,977)
Donations		(213,755)	(155,732)
Other expenses		(278,565)	(311,550)
Profit before income tax		396,470	413,780
Income tax expense	5	(121,141)	(122,337)
Profit for the year		275,329	291,443
Total comprehensive income for the year		275,329	291,443
Total comprehensive income attributable to members of the entity		275,329	291,443

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	7	1,357,486	1,293,836
Trade and other receivables	8	142,872	136,178
Other current assets	9	41,299	5,355
Total current assets		1,541,658	1,435,369
Non-current assets			
Property, plant and equipment	10	87,400	83,170
Total non-current assets		87,400	83,170
Total assets		1,629,058	1,518,539
Liabilities			
Current liabilities			
Trade and other payables	11	74,465	95,912
Provisions	12	57,750	38,402
Tax liabilities	13	39,418	101,305
Total current liabilities		171,633	235,619
Non-current liabilities			
Provisions	12	32,760	36,842
Total non-current liabilities		32,760	36,842
Total liabilities		204,393	272,461
Net assets		1,424,664	1,246,078
Equity			
Issued capital	14	345,510	345,510
Reserves	15	4,096	4,096
Retained earnings	16	1,075,058	896,472
Total equity		1,424,664	1,246,078

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Retained earnings \$	Total \$
Balance at 30 June 2010		701,771	701,771
Profit attributable to equity shareholders		291,443	291,443
Dividends paid or provided for	6	(96,743)	(96,743)
Balance at 30 June 2011		896,471	896,471
Profit attributable to equity shareholders		275,329	275,329
Dividends paid or provided for	6	(96,743)	(96,743)
Balance at 30 June 2012		1,075,057	1,075,057
Issued capital	14		345,510

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows as at 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers		1,659,307	1,605,920
Payments to suppliers and employees		(1,356,085)	(1,266,002)
Interest received		68,089	72,417
Income tax paid		(187,627)	(37,827)
Net cash provided by operating activities	17	183,684	374,508
Cash flows from investing activities			
Payments for property, plant and equipment		(13,291)	(3,338)
Loans to other Community Bank [®] branches		(10,000)	-
Net cash used in investing activities		(23,291)	(3,338)
Cash flows from financing activities			
Dividends paid	6	(96,743)	(103,156)
Net cash used in financing activities		(96,743)	(103,156)
Net increase in cash held		63,650	268,014
Cash at beginning of financial year		1,293,836	1,025,822
Cash at end of financial year	7	1,357,486	1,293,836

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Significant accounting policies

The financial statements cover Carrum Downs Financial Services Limited as an individual entity. Carrum Downs Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001.

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

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

Accounting policies

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax assets and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Income tax (continued)

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

- Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Directors' valuations to ensure the land and building's carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

- Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the company includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Property, plant and equipment (continued)

- Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Impairment of assets (continued)

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees at the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of liability.

Notes to the financial statements (continued)

Note 1. Significant accounting policies (continued)

Accounting policies (continued)

Comparative figures

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

	2012 \$	2011 \$
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Note 2. Revenue and other income

Revenue

ATM revenue	87,252	94,312
Commissions received	209,274	224,708
Gross margin income	1,098,207	1,016,003
Other revenue	221,268	229,162
	1,616,001	1,564,185
Other revenue:		
Interest received	68,089	72,417
Marketing Development Fund	50,000	50,000
	118,089	122,417
Total revenue	1,734,090	1,686,602
Interest revenue from:		
Bendigo and Adelaide Bank	68,089	72,417

Note 3. Auditor's remuneration

Audit fees	6,000	6,000
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Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 4. Profit for the year		
Profit (loss) from ordinary activities before income tax has been determined after:		
Expenses		
Depreciation of property, plant and equipment	9,061	11,441
Total depreciation	9,061	11,441
Bad debts	4,416	1,615
Total bad and doubtful debts	4,416	1,615
IT leasing	7,495	9,000
ATM leasing	10,406	10,977
Total leasing charges	17,900	19,977
Auditor remuneration – audit services	6,000	6,000
Total audit remuneration	6,000	6,000

Note 5. Income tax expense

The components of tax expense comprise:

Income tax expense on current year profits	121,141	122,337
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Note 6. Dividends

Dividends paid	96,743	96,743
Total dividends per share for the period	\$0.28	\$0.28

Note 7. Cash and cash equivalents

Cash at bank	87,556	23,309
Investment account	1,269,917	1,270,477
Petty cash on hand	13	50
	1,357,486	1,293,836

Reconciliation of cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	1,357,486	1,293,836
	1,357,486	1,293,836

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 8. Trade and other receivables

Trade debtors - receivable from Bendigo and Adelaide Bank	142,872	136,178
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Note 9. Other current assets

Prepayments	14,568	5,355
Loans to other Community Bank [®] branches	10,000	-
Future income tax benefit	16,732	-
	41,299	5,355

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

Note 10. Property, plant and equipment

Leasehold improvements

Leasehold Improvements :		
At cost	114,180	114,180
Less accumulated depreciation	(49,482)	(47,210)
Total leasehold improvements	64,698	66,970

Plant & equipment

Plant and equipment:		
At cost	203,296	190,005
Accumulated depreciation	(180,594)	(173,805)
Total plant and equipment	22,702	16,200
Total property, plant and equipment	87,400	83,170

Note 11. Trade and other payables

Accruals	20,832	35,146
GST payable	41,515	45,584
PAYG Withheld from salary & wages	12,118	15,182
	74,465	95,912

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 12. Provisions		
Provision for employee entitlements – superannuation	563	627
Provision for employee entitlements – annual leave	37,405	36,405
Provision for employee entitlements – long service	51,173	36,842
Total employee entitlements provisions	89,140	73,874
Provision for dividend	1,370	1,370
Total provisions	90,510	75,244
Analysis of total provisions		
Current	57,750	38,402
Non-current	32,760	36,842
Total provisions	90,510	75,244

Note 13. Tax liabilities

Tax on current year's profits	125,740	122,338
Less pay as you go instalments paid	(86,322)	(21,033)
Total tax liabilities	39,418	101,305

Note 14. Issued capital

345,510 Ordinary shares at \$1.00 each fully paid	345,510	345,510
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There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year.

Note 15. Reserves

ATO Investment allowance	4,096	4,096
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Note 16. Retained earnings

Retained earnings at the beginning of the financial year	896,472	701,771
Net profit attributable to members of the company	275,329	291,444
Dividends provided for or paid	(96,743)	(96,743)
Retained earnings at the end of the financial year	1,075,058	896,472

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 17. Cash flow information		
Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	275,329	291,444
Depreciation	9,061	11,441
(Increase)/decrease in debtors and prepayments provision	(15,907)	(5,134)
(Increase)/decrease in future income tax benefit	(16,732)	
Increase/(decrease) in trade payables and accruals	(21,447)	(42,688)
Increase/(decrease) in tax provision	(61,887)	84,510
Increase/(decrease) in provisions	15,266	34,936
Net cash provided by operating activities	183,684	374,508

Note 18. Financial risk management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

	Note	2012 \$	2011 \$
Financial assets			
Bank deposits at call	7	1,357,486	1,293,836
Accounts receivable	8	142,872	136,178
Loans to other Community Bank [®] branches	9	10,000	-
		1,510,359	1,430,014
Financial liabilities			
Trade and other payables	11	74,465	95,912
Taxation	13	39,418	101,305
		113,883	197,217

Financial risk management policies

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These included the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

The company does not have any derivative instruments at 30 June 2012.

Notes to the financial statements (continued)

Note 19. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year Carrum Downs Financial Services Ltd conducted business with the following Director related entities :-

- Malcolm Wells Accounting Solutions Pty Ltd – fees for company secretarial, wages and other related accounting services.
- Illumin8 Group Pty Ltd – fees for administrative other related accounting services.

Shares held by Director related entities:-

Shares held directly or indirectly by Directors represent 18.57% of the total shares issued in Carrum Downs Financial Services Ltd.

Note 20. Company details

Carrum Downs Financial Services Limited
ACN 088 990 470

Registered office:

Shop 3, 100 Hall Road, Carrum Downs Shopping Centre,
Carrum Downs VIC 3201

Directors' declaration

The Directors of the company declare that:

- 1 The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company.
- 2 In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Gregory Sugars
Director



Lindsay Wells
Director

Dated: 26 September 2012

Independent audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED 89 088 990 470

Report on the Financial Report

I have audited the accompanying financial report of Carrum Downs Financial Services Limited which comprises the statement of financial position as at 30th June 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the financial reporting requirements of the company's constitution. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: "Presentation of Financial Statements", that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of Australian professional ethical pronouncements.

Independent audit report (continued)

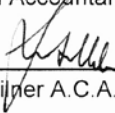
**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CARRUM DOWNS FINANCIAL SERVICES LIMITED
89 088 990 470**

Auditor's Opinion

In my opinion:

- (a) the financial report of Carrum Downs Financial Services Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the company's constitution.
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Name of Firm: Venn Milner & Co
Chartered Accountants

Name of Director: 
Mr. L.A. Milner A.C.A. Registered Auditor

Address: Suite 1, 10-12 Chapel Street, Blackburn VIC 3130

Dated : 26th September 2012

Carrum Downs **Community Bank**[®] Branch
Shop 3, Carrum Downs Shopping Centre,
100 Hall Road, Carrum Downs VIC 3201
Phone: (03) 9782 9788



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www.bendigobank.com.au/carrum_downs