Dingley Village **Community Bank®** Branch

annual report 2012

Dingley Village
Financial Services Limited

ABN 27 098 041 493

Contents

Chairman's report

For year ending 30 June 2012

A decade of the **Community Bank®** concept – and beyond

Dingley Village **Community Bank®** Branch is now in its' 11th year of operations and this is a significant achievement by any measure. The Franchise company has operated for nearly 10 and a quarter full financial years, as we opened on 22 April 2002. In fact, the people of the Dingley Village community had commenced down the path of establishing a **Community Bank®** branch in February 2001 with the first meeting of a committee formed to "return face to face banking" to Dingley Village. A great milestone in anyone's terms.

In this last financial year we have donated $20,000 to the Kingston Mayoral Charitable Trust, and over $250,000 in donations and sponsorships to the various charities, sporting clubs and sundry organisations that form part of the wonderful community in which we all call home. As many of you will also be aware, we also funded $20,000 to the Rotary Club of Dingley Village for the commission and installation of a war memorial to commemorate the servicemen and women in all our wars, which has been erected in Marcus Road during the year. Ben Fasham, a local sculptor, was selected to design this and we look forward to days when school children, local groups and citizens of Dingley Village all merge on the Marcus Road site to pay our respects as we did at this year's opening ceremony. What a wonderful opportunity and a great asset to Dingley Village we have helped to create. This wonderful community asset now exists for the benefit of the entire community for all of us to enjoy now, tomorrow and forever.

Returning a bank to Dingley has now been achieved. What is now necessary is to develop, build upon and continue the great work that has been achieved by the diaspora of this great community in the years to come.

We opened our doors with no business, no loans, and no deposits in our branch but a community full of support. We now hold over $182 million worth of banking business and we employ nine staff. We have contributed over $1.25 million of profits back to the community. In addition to this, we have supplied many sponsorship grants to keep football, netball, cricket, baseball, scouting, aged care, service clubs, schools, neighbourhood centre and numerous other community groups to continue to offer their services, particularly when the Global Financial Crisis came and donations from alternative sources become scarce.

Of course then there is you, our shareholders, who together with our Board members over the last 11 years, put faith in a new banking concept and contributed your funds through a prospectus to raise $630,000 to fund our community enterprise – "the bank".

Our returns to shareholders have been as follows

2006	Capital return 5c	= $63,000
2007	Capital return 5c	= $63,000
2008	Dividend fully franked	= $63,000
2009	Dividend fully franked	= $63,000
2010	Dividend fully franked	= $63,000
2011	Dividend fully franked	= $63,000
2012	Dividend fully franked	= $78,750
	TOTAL	**$456,750**

The 2012 dividend was 25% higher than the previous year. Not including the return of capital, we have thus returned to shareholders over $250,000 in dividends and also paid the appropriate tax to the Australian Taxation Office to do so.

What is now emerging is what we might describe as "community assets" that we could quite rightly call assets on the Community Balance Sheet.

These include; The Community Bus, The Netball Courts, Football and Cricket Club electronic scoreboard and new cricket nets, the Rotary Memorial and the many other smaller provisions made to the many groups. These are assets paid for by the profits of the **Community Bank®** branch for the benefit of members of the community in the years to come.

Year in review

Naturally, a business is not always smooth sailing, and we had some staff turnover earlier in the last financial year, however our appointment of Anne McAllister as Branch Manager in March 2011 has seen our branch stabilise and continue to grow and to return to a friendly, efficient and professional team. Anne has many years managing branches and is revelling in the **Community Bank®** model and the successes we are a part of in our community.

In fact it is my pleasure to announce that Anne has accepted an offer to be employed by the **Community Bank®** branch on a permanent and full time basis effective from 1 November 2012. In summary we grew our holdings by over $12 million and revealed a further increase in net profit over last year's actual profit. When one considers that we have a charter to distribute 80% of our profits to community then this is a significant contribution we are able to make thanks to our customers.

Staff

We are very fortunate to have the current services of a dedicated, committed and diligent staff who are not only committed to serving our customers, but also passionate about the community and the people who are our customers. I commend them, and their efforts to you. They not only serve the branch during the opening hours of the **Community Bank®** branch, but also selflessly give up many hours above and beyond their usual job description in support of our bank; and the Dingley Village community.

Board members

Michael Benjamin retired as inaugural Chairman after having been on the Board since inception and having served for 10 years with significant distinction.

Sadly, I announce the passing of a former Board member Robert Bowden, who also served with distinction giving selflessly his time and energy to the **Community Bank®** branch. He will be sadly missed.

As Chairman, I wish to personally thank all Board members and their partners, for their support over the years for the time they have given this company on a voluntary basis. Their commitment, dedication and support to me as the Chairman is measured by the fact of the extraordinary success the Dingley Village **Community Bank®** Branch has achieved during that time.

Bendigo and Adelaide Bank has rated our branch 8th best out of the nearly 300 **Community Bank®** branches that will be opened by the end of 2012, based on a number of factors like banking business, customers and community contributions in Australia, and with both the new Board members skills, as well as the skills and experience of the current Board members I believe the company and the business are in good hands and in good financial shape for the future.

I am confident the next decade will bring continued success for Dingley Village **Community Bank®** Branch through the Board, shareholders and most importantly the passionate Dingley Village community.

David Starvaggi
Chairman

Manager's report

For year ending 30 June 2012

I thought my first five months at Dingley Village **Community Bank**® Branch were a rollercoaster ride, but I had no idea that I was starting out slow. The subsequent year was amazing. We experienced growth in all areas of our business, in most cases well beyond what was budgeted.

None of this could have been achieved without the dedication and hard work of our staff and Board members. Our staff have had a very busy year managing our growth and extending their knowledge through training and I would like to take this opportunity to congratulate and thank them all. Beverley, Shelley, Terese, Michelle, Bree, Natalie, Melissa, Sally and our Admin Support Ann Reed. We farewelled Katherine and Perry this year, who moved on to pastures new.

Our specialist staff also excelled. Catriona who now has a dedicated office space within our branch and Christine and Michael our Business Banking Team, who are there when we need them.

Once again this year, our Regional Support team have offered guidance and training where necessary and without their support, our job would be much more difficult, so we offer our thanks and appreciation to them.

Our customer numbers have also grown this year, with Dingley Village extending it's reach to include Keysborough, Noble Park, Springvale, Clayton, Heatherton and Braeside.

Our continued sponsorship and support of clubs and associations in the area reached new highs this year, with the return of grants, through the Community Enterprise Foundation™ of $225,000, during our 10th birthday celebrations. This was over and above our normal sponsorships.

I am happy to attend as many events as I can, as part of our sponsorship programme and an enjoy them all, but took particular pride this year, in laying a wreath on behalf of the branch and its customers at the new war memorial, which we assisted The Rotary Club of Dingley Village to fund. It was a memorable day, with all local schools in attendance, despite the dreadful rain and I am sure there were many more than just me, who had trouble holding back tears.

Also, this year we commissioned a film to showcase the community assistance we have provided to schools, sporting clubs and organisations in our local area. It was an eye opener to see how many people the branch has helped achieve so much. Of course, this is only possible through the business our customers do with us.

While this year has been a challenge, it has been a worthwhile one for all concerned and we look forward to continued improvement in our products, processes and service.

As always our team will continue to deliver outstanding service, positive solutions and outstanding financial advice to the whole of the Dingley Village Community and we trust you will continue to support us.

Anne McAllister
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors present their report, together with the statement of the company, for the financial year ended 30 June 2012.

1. General information

Directors

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

Names	
David Starvaggi (Chairman)	
Peter Young (Secretary)	
Bryan Ford	
Donald Ewart Chenery	
Darren Bodey	
Leigh Menzel	
Stephen Duggan	
Karl Pickford	
Michael Howard Benjamin	Resigned November 2012

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

Principal activities

The principal activities of Dingley Village Financial Services Limited during the financial year were the provision of banking services to the business and residential community .

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

2. Operating results and review of operations for the year

Operating results

The profit of the company after providing for income tax amounted to $102,059 (2011: $ 82,571).

Dividends paid or recommended

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

- A fully franked dividend of $78,750 was paid during the year.

3. Other items

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

3. Other items (continued)

Auditors independence declaration

The lead Auditors independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of the financial report.

Meetings of Directors

During the financial year, meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

Director	**Directors' meetings**	
	Number eligible to attend	**Number attended**
Michael Benjamin	5	5
Karl Andrew Pickford	11	9
Bryan Ford	11	11
Donald Ewart Chenery	11	9
Darren Bodey	11	9
Leigh Menzel	11	10
Stephen Duggan	11	10
David Starvaggi	11	10
Peter Young	11	11

Options

Option holders do not have any rights to participate in any issues of shares or other interests in the company.

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.

Information on Directors

David Starvaggi Chairman

Qualifications/experience — Barrister and current member of the Victorian Bar with experience in commercial, family and criminal law. Board member of the Springvale Monash Legal Service since 2004 and also former Deputy Chairman of this body.

Peter Young Company Secretary and Director

Qualifications/experience — Chartered Accountant with more than 15 years experience in senior financial management roles including previous Directorships and company Secretary roles.

Darren Bodey Director

Qualifications/experience — Qualified electrician, registered commercial building practitioner, 21 years as the managing Director. Director of DVFS for 5 years.

3. Other items (continued)

Information on Directors (continued)

Don Chenery Director

Qualifications/experience	Retired after 17 years as Executive Director of a large Aged Care organisation and a number of years as Secretary of Aged Care Victoria. Previously 23 years in Real Estate, 17 years as Managing Director. 37 years membership of Kingswood Golf club. Justice of the Peace. Approximately 4 years on the Board of DVFS.

Bryan Ford Director

Qualifications/experience	20 years Director/Owner of two offices in major Real Estate franchise. Total of 29 years experience in Real Estate. Past Director Governor, zone Chairman, president and life member of Apex Australia. Past president and Director Oakleigh Football Club (VFA). Current Director of Dabprop P/L, residential property developers.

Leigh Menzel Director

Qualifications/experience	B.Sc (Ma) University of Adelaide and currently a computer programmer at AppliCad Australia. Board member for 3 years and part of the Marketing Sub committee

Stephen Duggan Director

Qualifications/experience	Global Director Marketing & Communications. B Business, MBA (Distinction). Previous Board and committee experience. Part of the Marketing Sub committee.

Karl Andrew Pickford

Qualifications/experience	Business owner for the last 28 years. Inaugural Director 10 years experience on the Board. Part of the Marketing sub committee.

Indemnifying Officers or Auditors

The company has paid premiums to insure each of the following Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director of the company, other than conduct involving a wilful breach of duty in relation to the company. The premiums for each Director amounted to $475.

Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

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

David Starvaggi	**Peter Young**
Director	**Director**

Dated 30 September 2012

Auditor’s independence declaration

Dingley Village Financial Services Limited

ABN 27 098 041 493

Auditors Independence Declaration under Section 307C of the Corporations Act 2001 To the Directors of Dingley Village Financial Services Limited

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 the audit.

Aston Ryan and Malcolm

Andrew White

30 September 2012

Dingley

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	1,457,778	1,371,859
Other income		250	1,859
Employee benefits expense		(542,368)	(469,097)
Depreciation and amortisation expense		(41,783)	(44,553)
Sponsorship and marketing		(388,517)	(384,171)
Occupancy expenses		(170,445)	(154,948)
Other expenses		(168,871)	(202,990)
Profit before income tax		**146,044**	**117,959**
Income tax expense	4	(43,985)	(35,387)
Profit for the year		**102,059**	**82,572**
Other comprehensive income:			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**102,059**	**82,572**

Earnings per share			
From continuing and discontinued operations:			
Basic earnings per share (cents)		18.03	14.56

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	204,416	205,697
Trade and other receivables	7	162,957	146,075
Current tax receivable	15	-	11,580
Total current assets		**367,373**	**363,352**
Non current assets			
Property, plant and equipment	8	364,068	386,798
Deferred tax assets	15	4,168	2,695
Intangible assets	9	55,495	8,836
Total non current assets		**423,731**	**398,329**
Total assets		**791,104**	**761,681**
Liabilities			
Current liabilities			
Trade and other payables	10	67,764	67,170
Current tax liabilities	15	336	-
Short term provisions	11	13,895	8,986
Total current liabilities		**81,995**	**76,156**
Non current liabilities			
Deferred tax liabilities	15	390	115
Total non current liabilities		**390**	**115**
Total liabilities		**82,385**	**76,271**
Net assets		**708,719**	**685,410**
Equity			
Issued capital	12	567,010	567,010
Retained earnings		141,709	118,400
Total equity		**708,719**	**685,410**

The accompanying notes form part of these financial statements.

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

	Note	Ordinary shares $	Retained earnings $	Total $
2012				
Balance at 1 July 2011		567,010	118,400	685,410
Profit after tax		-	102,059	102,059
Sub total		-	102,059	102,059
Dividends paid or provided for	5	-	(78,750)	(78,750)
Balance at 30 June 2012		**567,010**	**141,709**	**708,719**
2011				
Balance at 1 July 2010		567,010	98,828	665,838
Profit attributable to members of the entity		-	82,572	82,572
Sub total		-	82,572	82,572
Dividends paid or provided for	5	-	(63,000)	(63,000)
Balance at 30 June 2011		**567,010**	**118,400**	**685,410**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash from operating activities:			
Receipts from customers		1,428,522	1,364,712
Payments to suppliers and employees		(1,264,904)	(1,174,783)
Interest received		12,131	6,816
Income tax paid		(33,267)	(76,448)
Net cash provided by (used in) operating activities	**18**	**142,482**	**120,297**
Cash flows from investing activities:			
Payment for intangible asset		(57,768)	-
Purchase of property, plant and equipment		(7,944)	(52,569)
Net cash used by investing activities		**(65,712)**	**(52,569)**
Cash flows from financing activities:			
Dividends paid		(77,750)	(74,225)
Return of capital paid		(300)	(7,537)
Net cash used by financing activities		**(78,050)**	**(81,762)**
Other activities:			
Net cash increase (decreases) in cash and cash equivalents		(1,280)	(14,034)
Cash and cash equivalents at beginning of year		205,696	219,731
Cash and cash equivalents at end of year	**6**	**204,416**	**205,697**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report 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 this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has 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.

(b) Comparative figures

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

When the company has retrospectively applied an accounting policy or makes a retrospective restatement or reclassifies items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Where the company has retrospectively applied an accounting policy, made a retrospective restatement or reclassifies items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(c) 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.

<u>Plant and equipment</u>

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 asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

<u>Depreciation</u>

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation (continued)

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	
Plant and equipment	37.5%
Leasehold improvements	6.67%

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

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including, dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre acquisition profits. 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.

(e) 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 in the statement of financial position.

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to 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 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 satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(g) 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.

(h) 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 the liability.

(i) Income tax

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

Note 1. Summary of significant accounting policies (continued)

(i) Income tax (continued)

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 to (recovered from) the relevant taxation authority.

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

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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.

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 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 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.

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

(k) Revenue and other income

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 recognised upon the delivery of service.

All revenue is stated net of the amount of goods and services tax (GST).

(l) 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 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 statement of financial position are shown inclusive of GST.

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

(m) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates Impairment

The company assesses impairment at the end of the reporting period by evaluating conditions specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(n) Economic dependence

The company has entered into a franchise agreement with Bendigo and Adelaide Bank that governs the management of the **Community Bank®** branch at Dingley, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank.

All deposits are made with Bendigo and Adelaide Bank, and all personal and investment products are products of Bendigo and Adelaide Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed toBendigo and Adelaide Bank, must be approved by Bendigo and Adelaide Bank.

All credit transactions are made with Bendigo and Adelaide Bank, and all credit products are products of Bendigo and Adelaide BankLimited.Bendigo and Adelaide Bank provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

Note 1. Summary of significant accounting policies (continued)

(n) Economic dependence (continued)

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the Branch Manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations

(o) Adoption of new and revised accounting standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in he disclosure of any additional related party transactions in the current period or any prior period and is not likely to effect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011 1 Amendments to Australian Accounting Standards arising from the Trans Tasman Convergence Project have not affected the disclosure of any items in the financial statements. The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

	Note	2012 $	2011 $

Note 2. Revenue and other income

	Note	2012 $	2011 $
Sales revenue			
provision of services		1,444,998	1,365,236
		1,444,998	**1,365,236**
Other revenue			
interest received	2(a)	12,780	6,623
other revenue		250	1,859
		13,030	**8,482**
Total revenue		**1,458,028**	**1,373,718**
(a) Interest revenue			
Interest revenue from:			
interest income bank		12,780	6,623
Total interest revenue on financial assets not at fair value through profit or loss		**12,780**	**6,623**

	Note	2012 $	2011 $

Note 3. Profit for the year

(a) Expenses

	Note	2012 $	2011 $
Other expenses:			
Bad and doubtful debts			
Bad debts		3,479	4,156
Total bad and doubtful debts		**3,479**	**4,156**
(B) significant revenue and expenses			
The following significant revenue and expense items are relevant in explaining the financial performance:			
Franchise margin income		906,363	796,831
Upfront product commissions		368,331	396,853
Fee income		120,304	121,552
Salaries and wages		(464,937)	(407,995)

Note 4. Income tax expense

(a) The components of tax expense comprise:

	Note	2012 $	2011 $
Current tax		45,182	44,579
Originating and reversing temporary differences	15	(1,197)	(9,192)
		43,985	**35,387**
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)		43,813	35,387
non deductible depreciation and amortisation		172	-
Less:			
Tax effect of:			
Income tax attributable to entity		**43,985**	**35,387**

	Note	2012 $	2011 $
Note 5. Dividends			
Distributions paid			
Fully franked redeemable preference dividend of 12.5 cents (2011: 10) cents per share franked at the tax rate of 30% (2011: 30%)		78,750	63,000
Total		**78,750**	**63,000**
a. Balance of franking account at period end adjusted for franking credits arising from:			
payment of provision for income tax		33,267	72,675
dividends recognised as receivables, and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years		(33,750)	(27,000)
Opening balance		48,295	2,620
		47,812	**48,295**
Note 6. Cash and cash equivalents			
Cash on hand		500	400
Cash at bank		36,059	59,872
Short term bank deposits		167,857	145,425
		204,416	**205,697**
The effective interest rate on short term bank deposits was 5.5% (2011: 5.1%); these deposits have an average maturity of 90 days.			
Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash and cash equivalents		204,416	205,697
		204,416	**205,697**

	Note	2012 $	2011 $

Note 7. Trade and other receivables

Current			
Trade receivables		142,949	126,223
		142,949	**126,223**
Prepayments		5,458	4,682
Other receivables		14,550	15,170
Total current trade and other receivables		**162,957**	**146,075**

Note 8. Property, plant and equipment

Plant and equipment			
At cost		63,104	60,803
Accumulated depreciation		(47,955)	(45,795)
Total plant and equipment		**15,149**	**15,008**
Improvements			
At cost		502,236	496,595
Accumulated depreciation		(153,318)	(124,805)
Total improvements		**348,918**	**371,790**
Total property, plant and equipment		**364,067**	**386,798**

(a) Movements in carrying amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and equipment $	Improvements $	Total $
Balance at the beginning of year	15,008	371,790	386,798
Additions	2,300	5,643	7,943
Depreciation expense	(2,159)	(28,515)	(30,674)
Carrying amount at the end of 30 June 2012	**15,149**	**348,918**	**364,067**
Balance at the beginning of year	16,748	351,670	368,418
Additions	542	52,027	52,569
Depreciation expense	(2,282)	(31,907)	(34,189)
Carrying amount at the end of 30 June 2010	**15,008**	**371,790**	**386,798**

	Note	2012 $	2011 $

Note 9. Intangible assets

Development costs			
Cost		720	720
Accumulated amortisation and impairment		(144)	(144)
Net carrying value		**576**	**576**
Licenses and franchises			
Cost		57,768	51,100
Accumulated amortisation and impairment		(2,849)	(42,840)
Net carrying amount		**54,919**	**8,260**
Other intangible assets			
Cost		19,758	19,758
Accumulated amortisation and impairment		(19,758)	(19,758)
Total Intangibles		**55,495**	**8,836**

	Licenses and franchises $	Development costs $	Total $
Year ended 30 June 2012			
Opening balance	8,260	576	8,836
Additions	57,768	-	57,768
Amortisation	(11,109)	-	(11,109)
Closing value at 30 June 2012	**54,919**	**576**	**55,495**
Year ended 30 June 2011			
Opening balance	18,480	576	19,056
Amortisation	(10,220)	-	(10,220)
Closing value at 30 June 2011	**8,260**	**576**	**8,836**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 10. Trade and other payables

Current		
Unsecured liabilities		
Trade payables	22,044	17,548
Other payables	30,875	35,777
	52,919	**53,325**
Dividend payable	14,845	13,845
	67,764	**67,170**

Note 11. Provisions

Analysis of total provisions		
Current	13,895	8,986
	13,895	**8,986**

Note 12. Issued capital

630,000 (2011: 630,000) Ordinary @ 90 cents	567,010	567,010
Total	**567,010**	**567,010**

The company has authorised share capital amounting to $567,010.

Note 13. Capital and leasing commitments

Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable minimum lease payments:		
not later than 12 months	55,725	54,900
between 12 months and 5 years	69,230	115,100
	124,955	**170,000**

Operating lease is for rental of premises

Note 14. Financial risk management

The company's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable.

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

Financial risk management policies

The Directors meet on a regular basis to analyse to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Specific financial risk exposures and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, and credit risk.

(a) Credit risk

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position. The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

(b) Liquidity risk

The company manages liquidity risk by moitoring forecast cashflows.

(c) Interest rate risk

The company is not exposed to any significant interest rate risk.

(d) Price risk

The company is not exposed to any material commodity price risk.

(i) Financial instrument composition and maturity analysis

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average effective interest rate		Floating interest rate	
	2012 %	**2011** %	**2012** $	**2011** $
Financial assets:				
Cash and cash equivalents	0.01	0.01	36,559	60,392
Short term deposits	5.35	5.70	167,857	145,425
Receivables	-	-	-	-
Total financial assets			**204,416**	**205,817**

Note 14. Financial risk management (continued)

(d) Price Risk (continued)

(i) Financial instrument composition and maturity analysis (continued)

	Weighted average effective interest rate		Floating interest rate	
	2012 %	2011 %	2012 $	2011 $
Financial liabilities:				
Trade and sundry payables	-	-	-	-
Total financial liabilities			**-**	**-**

	Weighted average effective interest rate		Floating interest rate	
	2012 %	2011 %	2012 $	2011 $
Financial assets:				
Cash and cash equivalents	-	-	36,559	60,392
Short term deposits	-	-	167,857	145,425
Receivables	162,957	146,075	162,957	146,075
Total financial assets	**162,957**	**146,075**	**367,373**	**351,892**
Financial liabilities:				
Trade and sundry payables	67,764	67,170	67,764	67,170
Total financial liabilities	**67,764**	**67,170**	**67,764**	**67,170**

Note 15. Tax

	2012 $	2011 $
Current		
Income tax	336	-
	336	**-**
Non current		
Deferred tax liability comprises:		
Other deferred tax	390	115
	390	**115**

	2012 $	2011 $

Note 15. Tax (continued)

	2012 $	2011 $
Current		
Normal tax	-	11,580
	-	**11,580**
Non current		
Deferred tax assets comprise:		
Other deferred tax	4,168	2,695
	4,168	**2,695**

	Opening balance $	Charged to income $	Closing balance $
Parent entity			
Deferred tax liability			
Other deferred tax	9,001	(8,886)	115
Balance at 30 June 2011	**9,001**	**(8,886)**	**115**
Other deferred tax	115	275	390
Balance at 30 June 2012	**115**	**275**	**390**

	Opening balance $	Charged to income $	Closing balance $
Deferred tax assets			
Provisions - employee benefits	2,390	305	2,695
Balance at 30 June 2011	**2,390**	**305**	**2,695**
Provisions - employee benefits	2,695	1,473	4,168
Balance at 30 June 2012	**2,695**	**1,473**	**4,168**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 16. Auditors' remuneration

Remuneration of the Auditor of the company for:

auditing or reviewing the financial statements	9,500	9,000

Note 17. Key management personnel disclosures

No Director of the company receives remuneration for services as a company Director or committee member.

There are no executives with the company whose remuneration is required to be disclosed.

Note 18. Cash flow information

Reconciliation of cash flow from operations with profit after income tax

Profit for the year	102,059	82,572
Cash flows excluded from profit attributable to operating activities		
Non cash flows in profit		
Amortisation	11,109	10,364
Depreciation	30,674	34,189
Changes in assets and liabilities		
(Increase)/decrease in trade and term receivables	(15,152)	14,916
(Increase)/decrease in deferred tax receivable	(1,473)	(306)
Increase/(decrease) in trade payables and accruals	(1,836)	18,298
Increase/(decrease) in income taxes payable	11,916	(31,869)
Increase/(decrease) in deferred taxes payable	275	(8,886)
Increase/(decrease) in provisions	4,910	1,019
	142,482	**120,297**

Note 19. Events after the end of the reporting period

The financial report was authorised for issue on 30 September 2012 by the Board of Directors. There were no events after the end of the financial year that would materially affect the financial statements.

Note 20. Company details

The registered office of the company and Principal place of business is:

Dingley Village Financial Services Limited
Shop 11, 79 Centre Dandenong Road.
Dingley Village VIC 3172

Directors' declaration

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 26, present fairly the company's financial position as at 30 June 2012 and its performance for the year ended on that date in accordance with Australian Accounting Standards (including Australian Accounting Interpretations); and
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.

David Starvaggi
Director

Peter Young
Director

Dated 30 September 2012

Independent audit report

Dingley Village Financial Services Limited

ABN 27 098 041 493

Independent Audit Report to the members of Dingley Village Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Dingley Village Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors'' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standardsand the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Dingley Village Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Dingley Village 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

Dingley Village Financial Services Limited

ABN 27 098 041 493

Independent Audit Report to the members of Dingley Village Financial Services Limited

(ii) complying with Australian Accounting Standardsand the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Aston Ryan and Malcolm

Andrew White

DINGLEY

Profit and loss account

Disclaimer

The additional financial data presented on pages 30 - 31 is in accordance with the books and records of the company which have been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 30 June 2012. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and we give no warranty of accuracy or reliability in respect of the data provided. Neither the firm nor any member or employee of the firm undertakes responsibility in any way whatsoever to any person (other than Dingley Village Financial Services Limited) in respect of such data, including any errors of omissions therein however caused.

Aston Ryan and Malcolm

Dingley

30 September 2012

	2012 $	2011 $
Profit and loss account		
Income		
Fees	1,444,998	1,365,236
Interest income	12,780	6,623
Other income	250	1,859
Total income	**1,458,028**	**1,373,718**
Less: Expenses		
Accounting fees	6,100	6,355
Auditors remuneration	9,500	9,000
Bad debts	3,479	4,156
Bank charges	21	1
Body corporate and management fees	5,468	3,660
Computer expenses	33,805	35,310
Consulting and professional fees	-	24,609
Depreciation	41,783	44,553
Donations	2,500	710
Filing fees	1,069	1,652
Freight and cartage	7,810	8,076
Leave pay	16,115	4,046

Profit and loss account (continued)

	2012 $	2011 $
Profit and loss account (continued)		
Less: Expenses (continued)		
Long service leave	1,524	1,909
Other employee costs	9,506	5,989
Postage	3,110	5,604
Printing and stationery	29,101	29,505
Salaries	464,937	407,995
Staff training	8,800	13,630
Superannuation contributions	41,486	35,528
Travel domestic	13,300	3,808
Uniforms	3,383	5,298
Sponsorship and marketing	388,517	384,171
Occupancy costs	170,445	154,948
Other operating expenses	50,224	65,246
Total expenses	**(1,311,983)**	**(1,255,759)**
Profit before income tax	**146,045**	**117,959**

Dingley Village **Community Bank**® Branch
Shop 11, 79 Centre Dandenong Road, Dingley Village VIC 3172
Phone: (03) 9551 6111

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Phone: (03) 9551 6111
ABN: 27 098 041 493
www.bendigobank.com.au/dingley_village

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