East Keilor Community Financial Services Limited

ABN 18 096 939 507

annual report 2011

East Keilor **Community Bank®** Branch

Contents

Chairman’s report

For year ending 30 June 2011

This is a very special year for all those connected with the branch as we have been in operation now for ten years. Our branch is now in a strong financial position and is performing well, even in difficult environmental circumstances.

As Chair, I have led a dedicated Board of Directors that over the years have been confronted with a number of changes and challenges. All Directors, past and present, have been committed to establishing a strong business for our community and have used their various skills to achieve this goal, and I thank them all for this.

I acknowledge the loyalty of our shareholders who maintained their support in the early years when dividends were not being paid. Your commitment is now being rewarded, not only in dividend payments, but also in what we have been able to contribute to the community through grants, sponsorships and donations to various community organisations

These achievements would not have been possible without our dedicated staff, led by Branch Manager Tom Hill, and their skills in building meaningful customer relationships within our community. Our business now has over 3,100 customers, over 4,600 accounts and this year reached $91 million in banking business.

On behalf of the Board, I would like to pass on my warm thanks to Tom Hill and his staff.

Following the Annual General Meeting we will be announcing the various community organisations who have been successful applicants for a grant, and importantly, presenting them with a cheque to contribute to their projects, and I warmly invite shareholders to attend and see what this contribution will do for these community organisations.

Thank you for your support over the last 10 years and look forward to what we can achieve together over the next 10 years.

Trevor Sinclair

Trevor Sinclair
Chairman

Manager's report

For year ending 30 June 2011

The 2010/2011 has been a good year for business growth. Funds under Management as at 30 June of $91 million have continued to provide our **Community Bank®** branch with sufficient reserves to undertake a second round of Community Grants that will be presented following our Annual General Meeting in November.

Customer numbers continue to increase with over 3,100 customers having over 4,600 accounts. We continue to get good support from our shareholders and existing customers who provide a strong source of business referrals.

Our staff, Directors and Marketing Committee continually look for ways to promote our **Community Bank®** branch. This year, in conjunction with the other four Bendigo Bank branches in Moonee Valley, has seen us develop a strong partnership with the Moonee Valley City Council opening up opportunities to support and participate in various community activities and grow awareness of our services.

We continue to develop relationships with schools, clubs and community groups and have again supported a number of these during the year.

The support services of a locally based Business Banking Manager and Financial Planner, provided by Bendigo and Adelaide Bank Ltd, enable us to offer a wide and diverse range of products and services to our customers.

During the year we have had some staff changes with Allison White leaving us. Allison was one of the original staff members and her contribution to our **Community Bank®** branch over the years is appreciated. Nancy Perri has joined us in a Customer Service Officer role and we look forward to Nancy's input. We have also had a School Based trainee, Michael Roumbos from St. Bernards College, work with us for the past nine months. Michael is undertaking year 12 and has worked with us learning how the banking industry operates with a view to a career in banking.

We welcome and appreciate the continued support of our **Community Bank®** branch. Please encourage your family and friends to utilise our services and products which enables us to assist the community in various ways.

I would like to thank my staff, the Board of Directors and Bendigo and Adelaide Bank Ltd for their support.

Tom Hill
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Treasurer's report

For year ending 30 June 2011

I have great pleasure in presenting the Treasurer's report for the year ending 30 June 2011.

The branch reported profit after tax of $145,913 being 6.5% more than 2010 financial year. The branch also contributed back to the community over $160,000. Some of the money is yet to be allocated to the successful recipients of our upcoming grants program. This is the biggest amount ever given back to the East Keilor community by our branch in one year.

The shareholders were not forgotten either, they received eight cents fully franked dividend. In the last three years the shareholders have received 20 cents fully franked dividend return on their initial $1 capital. Saying that I would like to mention that we have some shares available for sale, if any of our shareholders would like to purchase more shares, please contact our Company Secretary or enquire at the branch.

We have continued to grow our business with the help of our great staff at the branch. As at 30 June 2011 cash on hand was $615,402 and net assets were $752,271. We are well placed financially and looking forward to another great year ahead. Funds under management at the end of the year were $91 million, up by $7 million from 2010. We have budgeted for growth of $10 million in 2012 which shall take our funds under management over the magic figure of $100 million.

In summary the uniqueness of the Bendigo and Adelaide Bank Ltd's **Community Bank®** model has proven to be a successful formula, for example what is good for business is good for the community. Therefore we can expect bigger and better things in 2012, which will also mark our 10th year anniversary of serving the local community.

Finally, I would like to thank our shareholders, staff and customers of East Keilor **Community Bank®** Branch. We ask you to continue to refer new customers so they too can experience the point of difference of our branch.

Hrisimir Borisov
Treasurer

Directors' report

For the financial year ended 30 June 2011

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

Directors

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

Trevor Donald Sinclair
Chairman
Retired Moonee Valley Councillor

David Edward Todd
Deputy Chairman
Pharmacist / Investor

Jeffrey Hase
Company Secretary
Management Consultant

Bruce Miller
Director
Solicitor

Hrisimir Borisov
Treasurer
Business Owner

Nicholas Michael Axarlis
Director
Accountant

Nancy Monforte
Director
Business Owner

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Review of operations

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was $145,913 (2010: $136,688).

Dividends	**Year ended 30 June 2011** Cents per share	**$'000**
Dividends paid in the year:		
- Final Dividend of the year	8	51,270

Significant changes in the state of affairs

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

Directors' report continued

Significant events after the balance date

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Likely developments

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

Remuneration report

Nancy Monforte received a payment of $1,577 (2010: $3,635) for printing services provided to East Keilor Community Financial Services Limited.

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

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #
Trevor Donald Sinclair	11 (11)
Hrisimir Borisov	11 (11)
David Edward Todd	11 (11)
Nicholas Michael Axarlis	11 (11)
Jeffrey Hase	10 (11)
Nancy Monforte	11 (11)
Bruce Miller	11 (11)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

Jeffrey Hase has been the Company Secretary of East Keilor Community Financial Services Limited since 30 November 2009. Jeffrey has a Diploma of Mechanical Engineering, an Advanced Diploma in Business (Legal Practice), an Advanced Certificate in Business (Estate Agency), a Certificate in Building Construction Management, a Certificate in Corporations Law, and a Practitioner's Certificate in Mediation and Conciliation. He is also a Fellow of The Institution of Engineers Australia and a Chartered Professional Engineer, a Member of the Society of Automotive Engineers, a Member of Company Secretaries Australia and a Justice of the Peace. Jeffrey has extensive experience at all levels of business operation, particularly in finance and property and he currently operates his own business as a Management Consultant.

Corporate governance

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

(a) The establishment of a Finance committee. Members of the Finance committee are Trevor Donald Sinclair, Hrisimir Borisov, David Edward Todd and Nicholas Michael Axarlis;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

12 September 2011

The Directors
East Keilor Community Financial Services Limited
53 Wyong Street
East Keilor VIC 3033

Dear Directors,

Auditor's Independence Declaration

In relation to our audit of the financial report of East Keilor Community Financial Services Limited for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at East Keilor, Victoria on 12 September 2011.

Trevor Donald Sinclair, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	908,925	746,024
Employee benefits expense	3	(326,735)	(324,871)
Depreciation and amortisation expense	3	(34,895)	(31,128)
Charitable donations and sponsorship		(162,505)	(33,012)
Other expenses		(166,394)	(161,412)
Profit before income tax expense		**218,396**	**195,600**
Income tax expense	4	72,483	58,912
Profit after income tax expense		**145,913**	**136,688**
Other comprehensive income		-	-
Total comprehensive income		**145,913**	**136,688**
Earnings per share (cents per share)			
- basic for profit for the year	22	22.77	21.33
- diluted for profit for the year	22	22.77	21.33

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	615,402	518,892
Receivables	7	85,509	63,652
Other financial assets	8	5,140	4,876
Total current assets		**706,051**	**587,420**
Non-current assets			
Property, plant and equipment	9	121,713	118,742
Deferred tax assets	4	13,814	16,802
Intangible assets	10	3,370	13,370
Total non-current assets		**138,897**	**148,914**
Total assets		**844,948**	**736,334**
Current liabilities			
Payables	11	35,937	24,262
Current tax liabilities	4	20,361	11,732
Provisions	12	36,379	42,712
Total current liabilities		**92,677**	**78,706**
Total liabilities		**92,677**	**78,706**
Net assets		**752,271**	**657,628**
Equity			
Share capital	13	561,768	561,768
Retained earnings	14	190,503	95,860
Total equity		**752,271**	**657,628**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		953,869	709,886
Cash payments in the course of operations		(739,036)	(512,614)
Interest received		21,679	15,989
Income tax paid		(60,866)	(63,612)
Net cash flows from / (used in) operating activities	**15b**	**175,646**	**149,649**
Cash flows from investing activities			
Payments for property, plant and equipment		(27,866)	(2,129)
Net cash flows used in investing activities		**(27,866)**	**(2,129)**
Cash flows from financing activities			
Dividends paid		(51,270)	(38,452)
Net cash flows used in financing activities		**(51,270)**	**(38,452)**
Net increase / (decrease) in cash held		**96,510**	**109,068**
Cash and cash equivalents at start of year		518,892	409,824
Cash and cash equivalents at end of year	**15a**	**615,402**	**518,892**

The accompanying notes form part of these financial statements.

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

	Note	2011 $	2010 $
Share capital			
Balance at start of year		561,768	561,768
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**561,768**	**561,768**
Retained earnings			
Balance at start of year		95,860	(2,376)
Profit after income tax expense		145,913	136,688
Dividends paid	21	(51,270)	(38,452)
Balance at end of year		**190,503**	**95,860**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

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

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

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

The financial statements were authorised for issue by the Directors on 12 September 2011.

(b) Statement of compliance

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

(c) Significant accounting policies

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

Income tax

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

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

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

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

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

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

Property, plant and equipment

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

Land and buildings are measured at fair value less accumulated depreciation.

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

Class of asset	Depreciation rate
Plant & equipment	7.50% - 40%
Leasehold improvements	11.96% - 13.97%

Impairment

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

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

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

Revaluations

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

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

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

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

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

Notes to the financial statements continued

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

Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Revenue

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

Receivables and payables

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

Loans and borrowings

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

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

Provisions

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

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

Share capital

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

Comparative figures

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

Note 2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	184,423	168,065
- other revenue	702,823	561,970
	887,246	**730,035**
Non-operating activities		
- interest received	21,679	15,526
- other revenue	-	463
	21,679	**15,989**
	908,925	**746,024**

	2011 $	2010 $
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	282,103	282,209
- superannuation costs	24,937	23,631
- other costs	19,695	19,031
	326,735	**324,871**
Depreciation of non-current assets:		
- plant and equipment	9,342	5,575
- leasehold improvements	15,553	15,553
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	34,895	**31,128**
Bad debts	-	865

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

	2011 $	2010 $
Prima facie tax on profit before income tax at 30%	65,519	58,680
Add tax effect of:		
- Non-deductible expenses	3,976	5,548
Current income tax expense	**69,495**	**64,228**
Movement in deferred tax	2,988	(5,316)
Income tax expense on operating profit	**72,483**	**58,912**
Tax liabilities		
Current tax liability	**20,361**	**11,732**
Deferred tax assets		
Future income tax benefits are recognised at reporting date as realisation of the benefit is regarded as probable.	**13,814**	**16,802**

Notes to the financial statements continued

	2011 $	2010 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	-
	3,900	**-**
Amounts received or due and receivable by AFS for:		
- Audit or review of the financial report of the Company	3,121	4,084
- Share registry services	1,954	1,595
- Non audit services	-	2,207
	5,075	**7,886**

Note 6. Cash and cash equivalents

Cash at bank and on hand	56,212	79,995
Term deposits	559,190	438,897
	615,402	**518,892**

Note 7. Receivables

Trade receivables	80,457	61,203
Other receivables and accruals	5,052	2,449
	85,509	**63,652**

Note 8. Other financial assets

Current		
Prepayments	**5,140**	**4,876**

Note 9. Property, plant and equipment

Leasehold improvements		
At cost	132,100	132,100
Less accumulated depreciation	(54,295)	(38,742)
	77,805	**93,358**

	2011 $	2010 $

Note 9. Property, plant and equipment (continued)

	2011 $	2010 $
Plant and equipment		
At cost	92,292	75,096
Less accumulated depreciation	(48,384)	(49,712)
	43,908	**25,384**
Total written down amount	**121,713**	**118,742**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	93,358	108,911
Additions	-	-
Disposals	-	-
Depreciation expense	(15,553)	(15,553)
Carrying amount at end of year	**77,805**	**93,358**
Plant and equipment		
Carrying amount at beginning of year	25,384	28,830
Additions	27,866	2,129
Disposals	-	-
Depreciation expense	(9,342)	(5,575)
Carrying amount at end of year	**43,908**	**25,384**

Note 10. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	100,000	100,000
Less accumulated amortisation	(96,630)	(86,630)
	3,370	**13,370**

Note 11. Payables

	2011 $	2010 $
Creditors	35,937	24,262
	35,937	**24,262**

Notes to the financial statements continued

	2011 $	2010 $

Note 12. Provisions

Employee benefits	**36,379**	**42,712**
Movement in employee benefits		
Opening balance	42,712	39,997
Additional provisions recognised	21,700	21,708
Amounts utilised during the year	(28,033)	(18,993)
Closing balance	**36,379**	**42,712**

Note 13. Share capital

640,870 Ordinary shares fully paid of $1 each #	594,400	594,400
Less equity raising expenses	(32,632)	(32,632)
	561,768	**561,768**

46,470 bonus shares were issued during the initial setup period for costs incurred on the entity's behalf.

Note 14. Retained earnings

Balance at the beginning of the financial year	95,860	(2,376)
Profit after income tax	145,913	136,688
Dividends paid	(51,270)	(38,452)
Balance at the end of the financial year	**190,503**	**95,860**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**615,402**	**518,892**
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	145,913	136,688
Non cash items		
- Depreciation	24,895	21,128
- Amortisation	10,000	10,000

Notes to the financial statements continued

	2011 $	2010 $

Note 15. Statement of cash flows (continued)

Changes in assets and liabilities

	2011 $	2010 $
- (Increase) decrease in receivables / prepayments	(22,121)	(20,149)
- (Increase) decrease in deferred tax assets	2,988	(6,403)
- Increase (decrease) in payables	11,675	5,055
- Increase (decrease) in provisions	(6,333)	2,715
- Increase (decrease) in tax payable / refundable	8,629	615
Net cash flows from / (used in) operating activities	**175,646**	**149,649**

Note 16. Director and related party disclosures

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

Trevor Donald Sinclair

Hrisimir Borisov

David Edward Todd

Nicholas Michael Axarlis

Jeffrey Hase

Nancy Monforte

Bruce Miller

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

Nancy Monforte received a payment of $1,577 (2010: $3,635) for printing services provided to East Keilor Community Financial Services Limited.

Directors' shareholdings	**2011**	**2010**
Trevor Donald Sinclair	5,000	5,000
Hrisimir Borisov	2,000	2,000
David Edward Todd	23,242	23,242
Nicholas Michael Axarlis	1,000	1,000
Jeffrey Hase	500	-
Nancy Monforte	3,000	3,000
Bruce Miller	-	-

Each share held has a paid up value of $1 and is fully paid.

Note 17. Subsequent events

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

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

Note 19. Segment reporting

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

Note 20. Corporate information

East Keilor Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

Registered Office:	Principal Place of Business:
53 Wyong Street,	53 Wyong Street,
Keilor East VIC 3033	Keilor East VIC 3033

	2011 $	2010 $

Note 21. Dividends paid or provided for on ordinary shares

	2011 $	2010 $
(a) Dividends paid during the year		
Franked dividends - 8 cents per share (2010: 6 cents per share)	**51,270**	**38,452**
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	122,221	83,328
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	20,361	11,732
	142,582	**95,060**

The tax rate at which dividends have been franked is 30% (2010: 30%).

	2011 $	2010 $

Note 22. Earnings per share

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

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

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

	2011 $	2010 $
Profit after income tax expense	**145,913**	**136,688**
Weighted average number of ordinary shares for basic and diluted earnings per share	**640,870**	**640,870**

Note 23. Financial risk management

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit risk

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

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

	Carrying amount	
	2011 $	**2010 $**
Cash assets	615,402	518,892
Receivables	85,509	63,652
	700,911	**582,544**

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

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	35,937	(35,937)	(35,937)	–	–
	35,937	**(35,937)**	**(35,937)**	**–**	**–**
30 June 2010					
Payables	24,262	(24,262)	(24,262)	–	–
	24,262	**(24,262)**	**(24,262)**	**–**	**–**

(c) Market risk

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

Interest rate risk

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

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Financial assets	559,190	438,897
Financial liabilities	-	-
	559,190	**438,897**
Variable rate instruments		
Financial assets	56,212	79,995
Financial liabilities	-	-
	56,212	**79,995**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

(d) Net fair values

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

(e) Capital management

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

Note 23. Financial risk management (continued)

(e) Capital management (continued)

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Trevor Donald Sinclair, Chairman

Signed at East Keilor, Victoria on 12 September 2011.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF EAST KEILOR COMMUNITY
FINANCIAL SERVICES LIMITED

SCOPE

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

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

Audit approach

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

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

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

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

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

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

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report of East Keilor Community Financial Services Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 12 September 2011

East Keilor **Community Bank**® Branch
53 Wyong Street, East Keilor VIC 3033
Phone: (03) 9331 5811

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53 Wyong Street, East Keilor VIC 3033
Phone: (03) 9331 5811
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