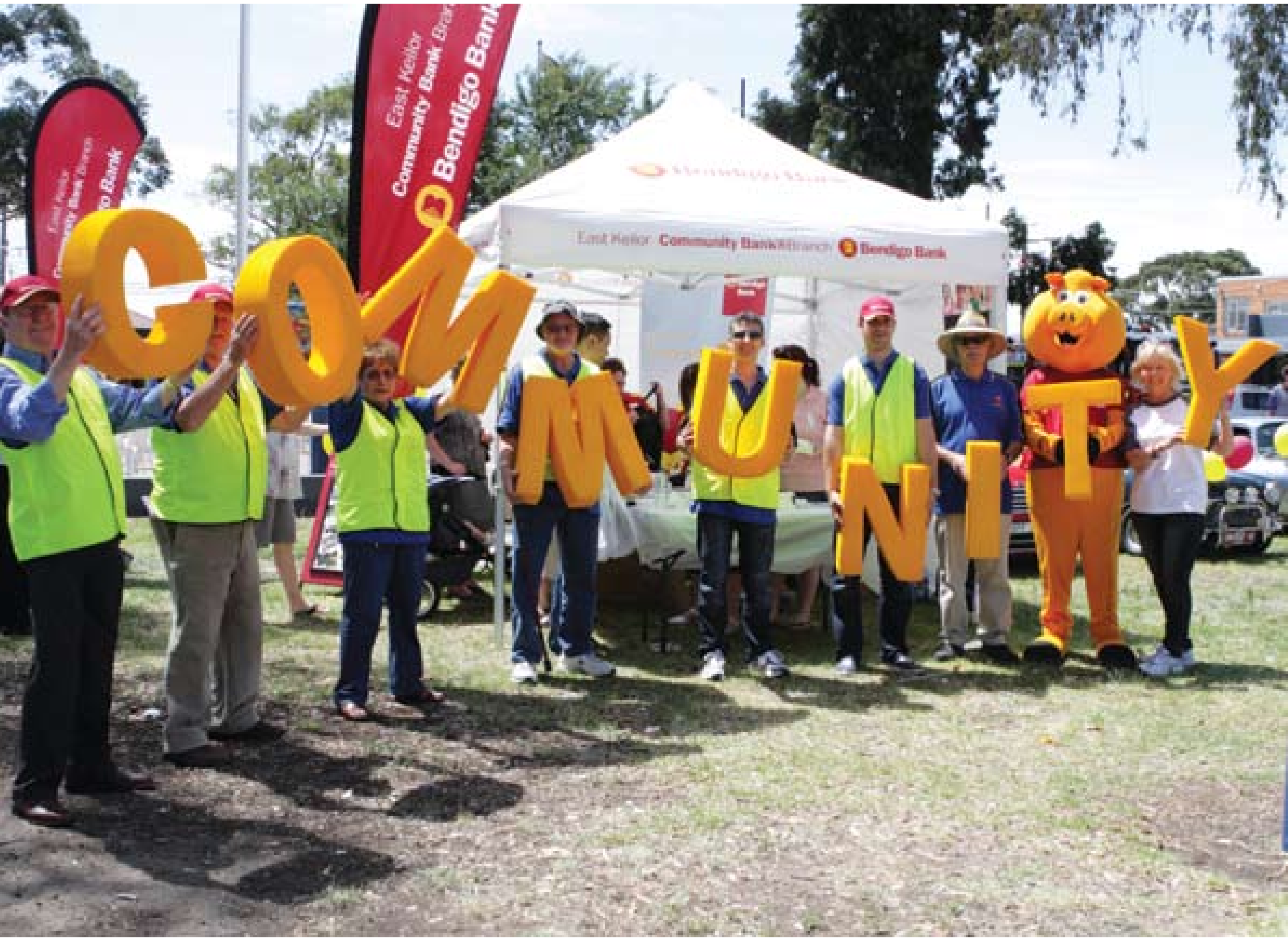
East Keilor **Community Bank®** Branch



annual report 2012

East Keilor Community Financial Services Limited

ABN 18 096 939 507

Contents

Chairman's report

For year ending 30 June 2012

We have had another good year with funds under management in excess of $100 million and our **Community Bank®** branch staff continuing to open new accounts.

As a result we have been able to not only again pay a dividend to our shareholders but also provide a number of community grants. Recipients of recent community grants have been:

- Neighbourhood Watch for a new display trailer
- 5th Keilor Scout Group for replacement canoes
- Rhonda Davis Kindergarten for outdoor works
- Avondale Heights Community Gardens for facilities
- Keilor Hostel for the Aged for overhead ceiling bed rails
- Essendon Keilor College for facilities refurbishment
- Aberfeldie Primary School for playground shelter
- Essendon Theatre Company for new seats.

With the recent round of community grants, dividends and sponsorships paid our return back to the community and shareholders is over $700,000. These funds have benefitted our shareholders, community groups, schools and clubs and shows what we can be done if the community supports our **Community Bank®** branch with their banking.

We are committed to continuing our relationship with our shareholders and community organisations for the benefit to all.

Lastly I would like to thank our Manager Tom Hill and our very capable staff and all my fellow Directors for their support over the last 12 months and look forward to a prosperous 2012/13.

Trevor Sinclair J.P
Board Chairman

Manager's report

For year ending 30 June 2012

The 2011/12 financial year continued to provide business growth in a very competitive environment. Funds under management as at 30 June 2012 of in excess of $100 million continue to provide our **Community Bank®** branch with sufficient return and funds to undertake another round of community grants that will be presented following our Annual General Meeting in November.

Customer numbers and accounts continue to increase. It is pleasing to see customers bring more of their banking business to us.

Our staff, Directors and Board sub-committees are constantly looking for opportunities to promote our business. This year, in conjunction with Strathmore **Community Bank®** Branch we signed a three-year sponsorship to support public access and exhibitions at the Incinerator Gallery. This is another component of our strong relationship with the Moonee Valley City Council that opens up opportunities to support and participate in community activities and grow awareness of our **Community Bank®** branch.

We have developed strong 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, enable us to offer a wide and diverse range of products and services to our customers.

We have recently appointed a new Customer Service Officer, Pam Wingrave, and are confident that Pam will provide our customers with the high level of service they have come to expect and appreciate from our **Community Bank®** branch staff.

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 for their support.

Tom Hill
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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 JP
Chairman
Retired Moonee Valley Councillor
Board member since 2001

David Edward Todd
Deputy Chairman
Pharmacist / Investor
Board member since 2001

Bruce Millar
Director
Solicitor
Board member since 2009

John Andricciola
Director
Accountant
Board member since 2011

Nicholas Michael Axarlis (resigned 7 October 2011)
Director
Accountant
Board member since 2006

Hrisimir Borisov
Treasurer
Business Owner
Board member since 2007

Jeffrey Hase
Company Secretary (1/7/2011 to 31/11/2011)
Management Consultant
Board member since 2007

Nancy Monforte
Director
Business Owner
Board member since 2005

Kate La Fontaine (appointed March 2012)
Director
Accountant
Board member since 2012

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.

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

Operating results

The profit of the company for the financial year after provision for income tax was $190,930 (2011: $145,912).

Financial position

The net assets of the company have increased from $752,271 at 30 June 2011 to $879,114 for 30 June 2012. The increase is largely due to improved operating performance of the company.

	Year ended 30 June 2012	
Dividends	**Cents per share**	**$**
Dividends paid in the year:		
- Final Dividend of the year	10	64,087

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

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.

Remuneration report

Nancy Monforte received a payment of $2,104 (2011: $1,577) for printing services provided to East Keilor Community Financial Services Limited.

John Andricciola received a payment of $8,676 for accounting, taxation and bookkeeping services provided to East Keilor Community Fianacial Services Ltd.

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. 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.

Indemnifying Officers or Auditor

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.

Directors' meetings

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

	Board meetings#
Trevor Donald Sinclair JP	10 (11)
Hrisimir Borisov	11 (11)
David Edward Todd	11 (11)
Nicholas Michael Axarlis (resigned 7 October 2011)	3 (3)
Jeffrey Hase	8 (11)
Bruce Millar	9 (11)
Nancy Monforte	6 (11)
John Andricciola	11 (11)
Kate La Fontaine (appointed March 2012)	3 (3)

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 from November 2009 to November 2011. 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 an audit committee. Members of the audit 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.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

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

Signed in accordance with a resolution of the Board of Directors at East Keilor, Victoria on 31 August 2012.

Trevor Donald Sinclair, JP
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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8 March 2012

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 review of the financial report of East Keilor Community Financial Services Limited for the half year ended 31 December 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.

W Sinnott

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	930,592	908,925
Employee benefits expense	3	(347,392)	(326,735)
Depreciation and amortisation expense	3	(27,544)	(34,895)
Other expenses		(215,417)	(166,394)
Operating profit before charitable donations & sponsorships		**340,239**	**380,901**
Charitable donations and sponsorship		(70,725)	(162,505)
Profit before income tax expense		**269,514**	**218,395**
Income tax expense	4	78,584	72,483
Net profit for the year		**190,930**	**145,912**
Other comprehensive income		-	-
Total comprehensive income for the year		**190,930**	**145,912**
Earnings per share (cents per share)			
- basic for profit for the year	22	29.79	22.77
- diluted for profit for the year	22	29.79	22.77

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	749,825	615,402
Receivables	7	90,566	85,509
Other financial assets	8	1,069	5,140
Total current assets		**841,460**	**706,051**
Non-current assets			
Property, plant and equipment	9	100,175	121,713
Deferred tax assets	4	13,008	13,814
Intangible assets	10	43,790	3,370
Total non-current assets		**156,973**	**138,897**
Total assets		**998,433**	**844,948**
Liabilities			
Current liabilities			
Payables	11	46,963	35,937
Current tax liabilities	4	30,669	20,361
Provisions	12	41,687	36,379
Total current liabilities		**119,319**	**92,677**
Total liabilities		**119,319**	**92,677**
Net assets		**879,114**	**752,271**
Equity			
Issued capital	13	561,768	561,768
Retained earnings	14	317,346	190,503
Total equity		**879,114**	**752,271**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		898,862	953,869
Cash payments in the course of operations		(610,990)	(739,036)
Interest received		30,744	21,679
Income tax paid		(67,470)	(60,866)
Net cash flows from operating activities	**15b**	**251,146**	**175,646**
Cash flows from investing activities			
Payments for property, plant and equipment		(52,636)	(27,866)
Net cash flows used in investing activities		**(52,636)**	**(27,866)**
Cash flows from financing activities			
Dividends paid		(64,087)	(51,270)
Net cash flows used in financing activities		**(64,087)**	**(51,270)**
Net increase in cash held		**134,423**	**96,510**
Cash and cash equivalents at start of year		615,402	518,892
Cash and cash equivalents at end of year	**15a**	**749,825**	**615,402**

The accompanying notes form part of these financial statements.

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

	Note	2012 $	2011 $
Issued 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		190,503	95,860
Profit after income tax expense		190,930	145,912
Dividends paid	21	(64,087)	(51,269)
Balance at end of year		**317,346**	**190,503**

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

East Keilor Community Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

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

The financial statements were authorised for issue by the Directors on 31 August 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(d) Impairment 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.

(e) Goods and services tax

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

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

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

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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

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

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements 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. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by calculating conditions and events 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.

(q) Financial instruments

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

Revenue from continuing activities		
- services commissions	175,816	184,423
- other revenue	724,032	702,823
	899,848	**887,246**
Other revenue		
- interest received	30,744	21,679
	30,744	**21,679**
	930,592	**908,925**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	297,034	282,103
- superannuation costs	26,440	24,937
- other costs	23,918	19,695
	347,392	**326,735**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	8,620	9,342
- leasehold improvements	15,554	15,553
Amortisation of non-current assets:		
- intangible assets	3,370	10,000
	27,544	**34,895**
Bad debts	197	-

Note 4. Income tax expense

	2012 $	2011 $
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	80,854	65,519
Add tax effect of:		
- Non-deductible expenses	(1,463)	3,976
Current income tax expense	**79,391**	**69,495**
Movement in deferred tax	(807)	2,988
Income tax expense on operating profit	**78,584**	**72,483**
Tax liabilities		
Current tax liability	**30,669**	**20,361**
Deferred tax assets		
Future income tax benefits are recognised at reporting date as realisation of the benefit is regarded as probable.	**13,008**	**13,814**

Note 5. Auditors' remuneration

	2012 $	2011 $
Remuneration of the Auditor for:		
- Audit or review of the financial report	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
- Share registry services	-	1,954
	-	**5,075**

	2012 $	2011 $

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	73,825	56,212
Term deposits	676,000	559,190
	749,825	**615,402**

Note 7. Receivables

	2012 $	2011 $
Trade receivables	82,825	80,457
Other receivables and accruals	7,741	5,052
	90,566	**85,509**

Note 8. Other financial assets

	2012 $	2011 $
Prepayments	**1,069**	**5,140**

Note 9. Property, plant and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	132,100	132,100
Less accumulated depreciation	(69,848)	(54,295)
	62,252	**77,805**
Plant and equipment		
At cost	93,932	92,292
Less accumulated depreciation	(56,009)	(48,384)
	37,923	**43,908**
Total written down amount	**100,175**	**121,713**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	77,805	93,358
Additions	-	-
Disposals	-	-
Depreciation expense	(15,554)	(15,553)
Carrying amount at end of year	**62,251**	**77,805**

Notes to the financial statements (continued)

	2012 $	2011 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning of year	43,908	25,384
Additions	-	27,866
Disposals	-	-
Depreciation expense	(8,620)	(9,342)
Carrying amount at end of year	**35,288**	**43,908**

Note 10. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	150,000	100,000
Less accumulated amortisation	(106,210)	(96,630)
	43,790	**3,370**

Note 11. Payables

	2012 $	2011 $
Creditors	**46,963**	**35,937**

Note 12. Provisions

	2012 $	2011 $
Employee benefits	**41,687**	**36,379**
Movement in employee benefits		
Opening balance	36,379	42,712
Additional provisions recognised	10,646	21,700
Amounts utilised during the year	(5,338)	(28,033)
Closing balance	**41,687**	**36,379**

Note 13. Share capital

	2012 $	2011 $
640,870 Ordinary shares fully paid	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.

	2012 $	2011 $

Note 14. Retained earnings

	2012 $	2011 $
Balance at the beginning of the financial year	190,503	95,860
Profit after income tax	190,930	145,913
Dividends paid	(64,087)	(51,270)
Balance at the end of the financial year	**317,346**	**190,503**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	**749,825**	**615,402**
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	190,930	145,912
Non cash items		
- Depreciation	24,174	24,895
- Amortisation	9,580	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables / prepayments	(986)	(22,121)
- (Increase) decrease in deferred tax assets	2,988	2,989
- Increase (decrease) in payables	11,026	11,675
- Increase (decrease) in provisions	5,308	(6,333)
- Increase (decrease) in tax payable / refundable	8,126	8,629
Net cash flows from / (used in) operating activities	**251,146**	**175,646**

Note 16. Director and related party disclosures

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

Trevor Donald Sinclair JP
Hrisimir Borisov
David Edward Todd
Jeffery Hase
Bruce Millar
Nancy Monforte
John Andricciola
Kate La Fontaine (appointed March 2012)
Nicholas Michael Axarlis (resigned 7 October 2011)

Other than stated below, no Director or related entity has entered into a material contract with the company.

No Director's fees have been paid as the positions are held on a voluntary basis.

Note 16. Director and related party disclosures (continued)

Nancy Monforte received a payment of $2,104 (2011: $1,577) for printing services provided to East Keilor Community Financial Services Limited.

John Andricciola received a payment of $8,676 for accounting, taxation and bookkeeping services provided to East Keilor Community Fianacial Services Ltd.

Directors' shareholdings	2012	2011
Trevor Donald Sinclair JP	5,000	5,000
Hrisimir Borisov	2,000	2,000
David Edward Todd	22,742	23,242
Bruce Millar	-	-
Jeffrey Hase	500	500
Nancy Monforte	3,000	3,000
John Andricciola	500	-
Kate La Fontaine (appointed March 2012)	-	-
Nicholas Michael Axarlis (resigned 7 October 2011)	1,000	1,000

During the year John Andricciola purchased 500 shares and David Todd sold 500 shares. There has been no other movement in Directors' shareholdings. Each share held has a paid up value of $1 and is fully paid.

Note 17. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Keilor East, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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

	2012 $	2011 $
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends paid during the year		
Franked dividends - 10 cents per share (2011: 8 cents per share)	**64,087**	**51,269**
(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	162,226	122,221
- Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year	28,487	20,361
	190,713	**142,582**

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

Note 22. Earnings per share

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

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

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

Profit after income tax expense	**190,930**	**145,912**
Weighted average number of ordinary shares for basic and diluted earnings per share	**640,870**	**640,870**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	749,825	615,402
Receivables	7	90,566	85,509
Total financial assets		**840,391**	**700,911**
Financial liabilities			
Payables	11	46,963	35,937
Total financial liabilities		**46,963**	**35,937**

Financial risk management policies

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

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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

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

The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2012 $	2011 $
Cash and cash equivalents	749,825	615,402
Receivables	90,566	85,509
	840,391	**700,911**

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.

None of the assets of the company are past due (2011: 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.

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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

(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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(46,963)	(46,963)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(46,963)**	**(46,963)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	749,825	749,825	–	–
Receivables	90,566	90,566	–	–
Total anticipated inflows	**840,391**	**840,391**	**–**	**–**
Net (outflow)/inflow on financial instruments	**793,428**	**793,428**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(35,937)	(35,937)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(35,937)**	**(35,937)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	615,402	615,402	–	–
Receivables	85,509	85,509	–	–
Total anticipated inflows	**700,911**	**700,911**	**–**	**–**
Net (outflow)/inflow on financial instruments	**664,974**	**664,974**	**–**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

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

Sensitivity analysis

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

	Carrying amount	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	676,000	559,190
Financial liabilities	-	-
	676,000	**559,190**
Floating rate instruments		
Financial assets	73,750	56,142
Financial liabilities	-	-
	73,750	**56,142**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of East Keilor Community Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 9 to 27 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

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.

Trevor Donald Sinclair, JP
Chairman

Signed at East Keilor, Victoria on 31 August 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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Independent Review Report

To the members of East Keilor Community Financial Services Limited

Scope

The financial report comprises the condensed statement of comprehensive income, condensed statement of financial position, condensed statement of cash flows, condensed statement of changes in equity, accompanying notes to the financial statements and the directors' declaration for East Keilor Community Financial Services Limited for the half-year ended 31 December 2011.

The company's directors 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 Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for accounting policies and accounting estimates inherent in the financial report.

Review Approach

We conducted an independent review of the half year financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the half year financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis or procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position and of their performance as represented by the results of their operations and their cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than that given in an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Independence

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

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year interim financial report of East Keilor Community Financial Services Limited is not in accordance with:

(a) the Corporations Act 2001, including:

 (i) giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half year ended on that date; and

 (ii) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

Richmond Sinnott & Delahunty
Chartered Accountants

Warren Sinnott
Partner

Signed at Bendigo on 8th March 2012

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

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Bendigo Bank

(BMPAR12080) (09/12)