

East Malvern Community
Financial Services Limited

ABN 27 089 542 174

annual report 2011



East Malvern **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2011

It is again my pleasure to report on another very solid year of growth and continuing prosperity for the Company and the many stakeholders that we serve. In the latest financial year the Company has set records across many areas of the business such as:

- Business growth (branch footings)
- Total revenue
- Operating profits
- Sponsorship and donations
- Shareholder dividends

Each year the business has continued to move forward from strength to strength such that the East Malvern **Community Bank**[®] Branch was in the top 3% of all **Community Bank**[®] branches as measured by the value of community sponsorships and dividend yield for the 2010 financial year, the last period where records are available for all branches. While comparisons are not yet available for the 2011 financial year, it is expected that the Company will have maintained a similar position.

In 2011 the Company experienced solid improvements in revenue and pre-tax operating results compared to the prior financial year with the key driver being the increased branch footings especially in the higher margin lending products. Key metrics were as follows:

\$'000	2011	2010	
Revenue	1,207	1,080	up 12%
Operating profits before sponsorships and tax	529	446	up 19%
Sponsorships and donations	332	320	up 4%
Shareholder dividends (declared/paid)	87	75	up 16%

Breaking down the results saw underlying branch profit before tax for the year increase by \$94,000 or 25% on the back of strong revenue growth and the branch operating margin improving to 41% from 37% last year. Investment earnings continue to fluctuate with the movements in the stock market but are making a meaningful contribution to the Company's earnings.

Chairman's report continued

Operating results (\$'000)	1H11	2H11	TOTAL 2011	1H10	2H10	TOTAL 2010
Community Bank® branch						
Branch revenue	585	563	1,148	508	502	1,010
Branch operating profit	248	222	470	209	167	376
Operating margin	42%	39%	41%	41%	33%	37%
Investment income						
Cash investment earnings	(5)	22	17	7	1	8
Mark-to-market adjustment	66	(24)	42	127	(65)	62
Operating profit before sponsorships and tax	309	220	529	343	103	446
Sponsorships			(332)			(320)
Net profit before tax			197			126

Your Board has paid an interim dividend of 10 cents (9 cents 2010) and has resolved to pay a final dividend of 12 cents per share (10 cents 2010) both fully franked, making 22 cents (19 cents 2010) for the year, payable on 31 October 2011 to all shareholders as at 30 September 2011.

From the commencement of the business in May 2000 the cumulative return to the community and shareholders as at 30 June 2011 has amounted to more than 6 times our initial capital comprising:

Sponsorships and donations	\$1,562,000	66%
Dividends paid to shareholders	\$ 475,000	20%
Retained earnings	\$ 338,000	14%
Total	\$2,375,000	100%

It has become obvious that over the last three years the Company has entered a new phase of growth and higher profitability stemming from a number of inter related factors such as a cohesive service oriented team in the branch led by Peter Wolff, the growing magnitude and depth of the sponsorship programme and the maturing of the **Community Bank®** concept which is now seen by many as a permanent part of our business and social community.

Community sponsorships – Target \$2,000,000 in 2012

In October 2010 having previously surpassed the \$1 million milestone in community sponsorships earlier that year the Board committed itself to a target of \$2 million in sponsorships by 2012. This financial year the Company distributed \$332,000 in sponsorships and donations including substantial contributions to the Queensland and Victorian flood victims which are detailed in the Sponsorship Committee report. The Company is on track to achieving the \$2 million target during 2012 which will be another key milestone for the Company.

Chairman's report continued

Branch operations

Branch footings grew by \$13.1 million or 12% over the past 12 months and particularly pleasing was the pick-up in lending where the loan book growth exceeded 32%. The result is especially good when comparing to the banking industry as a whole where deposits grew by 9% and lending by 5% over the same time frame.

Our business levels can be categorised as follows:

Product	2011 \$mil	2010 \$mil
Savings accounts	10.3	8.7
Term deposits/bills	56.3	53.8
Statement accounts	17.2	17.0
Lending	29.0	21.9
Off balance sheet business	9.0	7.3
Total	121.8	108.7

Bendigo & Adelaide Bank Ltd

The **Community Bank**[®] concept's reach throughout Australia continues to expand within the overall activities of Bendigo and Adelaide Bank Ltd, I would like to acknowledge their continuing support and encouragement, and their focused attention to the needs of their customers.

This year we have included a **Community Bank**[®] branch update from Bendigo and Adelaide Bank Ltd that outlines the tremendous success and momentum of this inspirational programme of which we are all a part.

Professional advice

I acknowledge the Company Secretary Ric Sykes, and our Legal Advisor Phil Carey, for their professional advice during the year.

Board of Directors

The Board continues to provide unstinting dedication and I acknowledge the time and energy they provide.

The Board comprises of:-

Peter W. Norman – Chairman

Stuart E. Martyn – Deputy Chairman

Ric Sykes – Company Secretary

Kenneth R. Blackshaw

Cheryl S. Newsom

Philip C. Carey

Michael Arbon

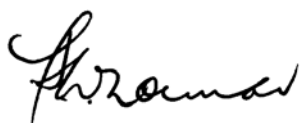
Todd Foster

Chairman's report continued

Finally, I would like to thank those who are currently supporting our **Community Bank**[®] branch with their banking business and look forward to that continuing support in the future.

Our branch has always provided a high level of quality service and the Bendigo Bank product range continues to expand and is very competitive.

I welcome any shareholder or local resident who does not currently bank with us to come and experience the great service we deliver at our **Community Bank**[®] branch as its ongoing strength and vitality provide the ability for the Company to aspire to important community objectives such as "**Target \$2 million in 2012**".



Peter Norman
Chairman

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

Sponsorship Committee report

For year ending 30 June 2011

Our community sponsorship program is now well established. Approved sponsorships together with donations and other community contributions have now exceeded \$1,562,000 since the branch was established which compares very favourably to the \$58 million in total that the entire **Community Bank**[®] programme across 276 branches has returned since inception.

Our contributions are aimed at improving the ability of community organisations to deliver services that they provide. We will continue to participate as actively as we can in this area and respond to requests for sponsorship where benefits are available to significant sections of our community.

This financial year, the Company was proud to have supported a wide cross section of community organisations, 58 in all, for a variety of initiatives with a total value of \$331,847 (\$319,730 (2010)).

SPORT

Organisation

- All Saints Tennis Club
- Caulfield Cricket Club
- Caulfield Malvern Basketball Club
- Chadstone Synners Disability Teams
- Collegians Football Club
- De La Salle OC Football Club
- De La Sallys Netball Club
- East Malvern Cricket Club
- East Malvern RSL Anglers Club
- East Malvern RSL Bowling Club
- Malvern Baseball Club
- Malvern Cricket Club
- Malvern Junior Cricket Club
- Malvern Sports & Recreational Club
- Melbourne Rugby Union Football Club
- Monash Gryphons Cricket Club
- Old Scotch Soccer Club`
- Old Xaverians Football Club
- Prahran Amateur Football Club
- South Eastern BMX Club`
- St. Patrick's Tennis Club
- St.Finbars Tennis Club
- St.Kevins Old Boys Football Club
- Stonnington Gift
- The Local Footy Show
- Toorak East Malvern Hockey Club
- VAFA Integration Development Assn.
- Victorian Amateur Football Association

Outcome

- Junior Development Program
- Equipment, Sponsor Fundraising Lunch
- Court Hire, Development Programs
- New Equipment
- Playing Field Lighting System
- Equipment, Mobile Kitchen Bench
- Uniforms
- Equipment, First Aid Kits, Uniforms
- Funding 3 Day Excursion
- Greens Maintenance
- Upgrade Facilities
- Upgrade Practice Wickets
- Junior Cricket Development Program
- Line Marking Machine
- Club and Community Bus
- Upgrade Equipment
- Portable Benches
- Equipment, Promoting Auskick Program
- Community Sports Program
- Purchase Bikes and Protective Equipment
- Rejuvenation of Tennis Courts
- Replace Windbreaks, Sight Screens
- Relocation Assistance, Grand Final Luncheon
- Major Event Sponsor
- Broadcasting Community Football
- Promoting Junior Hockey
- Charity Golf Day
- Pitch Covers, Lifting Trolley

Sponsorship Committee report continued

EDUCATION

Organisation

- Caulfield Park Community School
- Ewing Kindergarten
- Gardiner Pre School
- Korowa Parents Association
- Lloyd Street School
- Malvern Valley Primary School
- Sacre Coeur
- Serrell Street Kindergarten
- Solway Primary School
- St. Josephs Primary School

Outcome

Funding Breakfast Program
Refurbish Play Area, New Cubby
Replace and Update Play Equipment
Sponsor Fund Raising Golf Day
Sponsor Fund Raising Fair
Professional Training for Technology Teachers
Sponsor Fund Raising Womens Breakfast
Repainting Kindergarten
“Circus Skills” Program
Furnishing School and Community Hall

COMMUNITY

Organisation

- Camp Quality
- Cystic Fibrosis
- Duldig Gallery
- Garlstonpark Girl Guides
- Lighthouse Foundation
- Lord Somers Camp & Powerhouse
- Lyric Opera Company
- Malvern East Combined Probus Clubs
- Malvern Historical Society
- Malvern Special Needs P/group
- One in 5
- Ormond **Community Bank**[®] Branch
- Reconnexion
- St. James Anglican Church
- St.John’s Church
- Stonnington Symphony
- Very Special Kids

Outcome

“Kids with Cancer”
Sponsor Race Day
Promotion of Local Gallery and Museum
Rent Assistance for Scout Hall
“Psycholgical Wellness Program”
Replacement of Bunks, emPOWERme Program
Support for Local Opera Company
Hire of Bus for 6 Day Trip
Updating Website
Installation of Memorial Outdoor Benches
Mental Health Research
Support For Community Sponsorship Program
New Computers for Counsellors
Funding Youth Worker
Rebuilding Appeal
Sponsorship of Concerts
Golf Day

COUNTRY

Organisation

- Cardwell **Community Bank**[®] Branch
- Charlton College
- Charlton Community Flood Appeal

Outcome

Queensland Flood Relief - Community Projects
Work Experience for Year 10 Students
Victorian Flood Relief - Community Projects



Ric Sykes

Director and Sponsorship Committee member

Director's financial statement

For the financial year ended 30 June 2011

The net profit of the Company for the financial year after providing for income tax amounted to \$122,026 (\$76,092 (2010)).

A review of the operations of the Company during the financial year and the results of those operations were as follows:

- The principal activity of the Company during the financial year was a **Community Bank**[®] branch operating under a franchise with Bendigo and Adelaide Bank Ltd.
- No significant change in the nature of these activities occurred during the year.
- The Company will continue with its policy of providing banking services to the community.
- Dividends paid during the year were, a final dividend for 2010 of 10 cents (fully franked), an interim dividend for 2011 of 10 cents (fully franked), and the Board has recommended a final dividend of 12 cents (fully franked) to be paid on 31 October 2011 to all shareholders as at 30 September 2011.
- There are no 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.
- No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.
- No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is in or has been an officer or Auditor of the Company.

Signed in accordance with a resolution of the Board of Directors 26 September 2011.



Ric Sykes
Director and Company Secretary

Secretary's report

For the financial year ended 30 June 2011

Use of the Company seal

The Company seal was not used during the year.

Directors attendance at Board meetings

Eleven Board meetings were conducted during the year. The attendance was:

Peter Norman	11
Ric Sykes	10
Stuart Martyn	9
Ken Blackshaw	11
Cheryl Newsom	8
Philip Carey	10
Michael Arbon	8
Todd Foster	3



Ric Sykes

Director and Company Secretary

Financial statements

Balance sheet as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash	17 (a)	93,238	78,368
Accounts receivable	5	94,613	122,088
Investments	6	144,046	137,922
Total current assets		331,897	338,378
Non-current assets			
Investments	7	482,615	462,001
Property, plant and equipment	8	60,564	25,286
Intangibles	9	8,000	-
Deferred tax assets	10	28,482	41,026
Total non-current assets		579,661	528,313
Total assets		911,558	866,691
Current liabilities			
Accounts payable	11	3,540	540
Provisions	12	137,297	69,477
Other	13	17,394	84,194
Total current liabilities		158,231	154,211
Non-current liabilities			
Provisions	14	20,956	15,388
Total non-current liabilities		20,956	15,388
Total liabilities		179,187	169,599
Net assets		732,371	697,091
Shareholder's equity			
Share capital	15	394,310	394,310
Accumulated profits	15	338,061	302,781
Total shareholder's equity		732,371	697,091

The accompanying notes form part of these financial statements.

Financial statements continued

Income statement for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Margin income	2	941,208	827,847
Fee income		167,374	159,892
Commission income		39,731	22,304
Interest income		6,450	6,683
Dividends and other investment income		52,435	76,332
Total income		1,207,198	1,079,692
Personnel expenses		387,462	344,728
Building occupancy expenses		76,195	72,928
Depreciation and amortisation		9,690	11,009
Sponsorships and donations		331,847	319,730
Other office expenses		200,665	205,005
Bad debt expense	2	4,502	773
Interest expense	2	-	-
Total expenses		1,010,361	954,173
Operating profit		196,837	125,519
Income tax expense	3	74,811	49,427
Operating profit after income tax		122,026	76,092
Dividends declared	4	(86,746)	(74,919)
Accumulated profits at the beginning of the financial year		302,781	301,671
Prior period over accrual of income tax		-	-
Accumulated profits at the end of the financial year		338,061	302,781
Earnings per share		30.9 cents	19.3 cents

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		1,175,788	1,001,547
Payments to suppliers and employees		(1,036,136)	(913,352)
Dividends and other investment income		10,620	14,199
Interest received		6,450	6,683
Income tax paid		(25,098)	(50,197)
Net operating cash flows	17 (b)	131,624	58,880
Cash flows from investing activities			
Fixed assets acquired		(42,970)	-
Franchise fee renewal		(10,000)	-
Net disposals in sponsorship fund (ASX listed sec)		21,201	6,443
Redemption / (investment) in term deposits		(6,124)	43,390
Net investing cash flows		(37,893)	49,833
Cash flows from financing activity			
Payment of dividends on ordinary shares		(78,861)	(63,090)
Net investing cash flows		(78,861)	(63,090)
Net increase/(decrease) in cash held		14,870	45,623
Cash at the beginning of the financial year		78,368	32,745
Cash at the end of the financial year	17 (a)	93,238	78,368

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Issued capital \$	Retained earnings \$	Total \$
At 30 June 2009	394,310	301,671	695,981
Prior period over accrual of income tax			
Profit for the year		76,092	76,092
Dividends declared		(74,919)	(74,919)
At 30 June 2010	394,310	302,781	697,091
Prior period over accrual of income tax			
Profit for the year		122,026	122,026
Dividends declared		(86,746)	(86,746)
At 30 June 2011	394,310	338,061	732,371

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Law, which includes applicable Accounting Standards. Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board have also been complied with. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Income tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Property, plant and equipment

Property, plant and equipment are carried at cost or at independent or Director's valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, are depreciated on straight line basis over the estimated useful lives to the entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Intangibles

Franchise fees are amortised over the useful life, being a period of 5 years.

Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Revenue is recognised net of the amount of goods and services tax.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

Financial instruments included in equity

Ordinary share capital is recorded at the value of the consideration received. The costs of issuing shares are charged against the share capital. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Financial instruments included in liabilities

Borrowings are recorded at the amount received on advance from the lender.

Financial instruments included in assets

Trade debtors are initially recorded at the amount of contracted sale proceeds.

Provision for doubtful debts are recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified.

Bank deposits and short term bank bill investments are carried at cost and interest revenue is recognised on an effective yield basis.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

	2011	2010
	\$	\$
Note 2. Profit and loss items		
Margin income	941,208	827,847
Fee income	167,374	159,892
Commission income	39,731	22,304
Interest income	6,450	6,683
Dividends and other investment income	52,435	76,332
Total income	1,207,198	1,079,692
Operating result is after charging the following expenses:		
Depreciation:		
Depreciation of :		
– Fixtures and fittings	3,148	3,149
– Motor vehicles	4,542	5,860
Amortisation of		
– Establishment fees	2,000	2,000
Total depreciation and amortisation	9,690	11,009
Bad debt expense	4,502	773
Interest expense	-	-
Other operating expense items:		
Provision for employee entitlements	23,594	12,158
Operating lease rentals	61,585	59,698

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 3. Income tax

Income tax expense

The difference between the income tax benefit in the financial statements and the prima facie income tax benefit is reconciled as follows:

Operating profit	196,837	125,519
Prima facie tax expense	59,051	37,656
Tax effect of permanent and other differences:	15,760	11,771
Prior period under accrual	-	-
Total income tax expense attributable to operating profit	74,811	49,427

The value of franking credits as at 30 June 2011 was \$273,987 (\$273,183 2010).

Note 4. Dividends paid and payable

Dividends paid

Fully franked interim dividend (9 cents per share)	-	35,488
Fully franked interim dividend (10 cents per share)	39,430	-

Dividends proposed

Fully franked final dividend (10 cents per share)	-	39,431
Fully franked final dividend (12 cents per share)	47,316	-

Total dividends paid and payable	86,746	74,919
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Note 5. Accounts receivable (current)

Accounts receivable	93,743	93,788
Sundry receivables	870	28,300
Provision for doubtful debts	-	-
Total accounts receivable (current)	94,613	122,008

Notes to the financial statements continued

	2011 \$	2010 \$
Note 6. Investments (current)		
Term deposits	144,046	137,922
Total investments (current)	144,046	137,922

Note 7. Investments (non-current)

Sponsorship Fund (ASX listed securities) at cost	577,556	598,757
Market value adjustment	(94,941)	(136,756)
Total investments (non-current)	482,615	462,001

Note 8. Property, plant and equipment

Furniture and fittings at cost	58,713	15,743
Less accumulated depreciation	(13,163)	(10,015)
Total fixtures and fittings, net	45,550	5,728
Motor vehicles at cost	33,609	33,609
Less accumulated depreciation	(18,594)	(14,052)
Total motor vehicles, net	15,014	19,557
Total property, plant and equipment, net	60,564	25,286

Note 9. Intangibles

Franchise fee at cost	70,000	60,000
Training fee at cost	50,000	50,000
Total establishment fees at cost	120,000	110,000
Less accumulated depreciation	(112,000)	(110,000)
Total establishment fees, net	8,000	-
Total intangibles, net	8,000	-

Notes to the financial statements continued

	2011 \$	2010 \$
Note 10. Deferred tax asset		
Temporary differences	28,482	41,026
Total deferred tax assets	28,482	41,026

Note 11. Accounts payable (current)

Trade creditors – unsecured	3,540	540
Total accounts payable (current)	3,540	540

Note 12. Provisions (current)

Employee entitlements	61,190	43,164
Dividends on ordinary shares	48,442	40,557
Income tax	27,665	(14,244)
Total provisions (current)	137,297	69,477

Note 13. Other (current)

Net GST collected/(paid)	17,394	13,918
Accruals	-	66,650
Miscellaneous	-	3,626
Total other liabilities (current)	17,394	84,194

Note 14. Provisions (non-current)

Employee entitlements	20,956	15,388
Total provisions (non-current)	20,956	15,388

Notes to the financial statements continued

	Note	2011 \$	2010 \$
Note 15. Share capital			
Paid up capital			
Beginning of the financial year		394,310	394,310
Ordinary shares fully paid		394,310	394,310
Movement in shares on issue			
Beginning of the financial year		394,310	394,310
Ordinary shares fully paid		394,310	394,310
Movement in retained earnings			
Accumulated profits at the beginning of the financial year		302,781	301,671
Prior period over accrual of income tax		-	-
Operating profit after income tax expense		122,026	76,092
Dividends paid / payable	4	(86,746)	(74,919)
Accumulated profits at the end of the financial year		338,061	302,781

Note 16. Commitments

Operating lease expenditure contracted for is payable as follows:

Not later than one year	57,001	57,754
Later than one year but not later than five years	141,908	191,993
	198,909	249,747

Note 17. Notes to the statement of cash flows

(a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Cash at bank	93,238	78,368
	93,238	78,368

Notes to the financial statements continued

	2011 \$	2010 \$
Note 17. Notes to the statement of cash flows (continued)		
(b) Reconciliation of net cash provided by operating activities to operating profit after income tax		
Operating profit after income tax	122,026	76,092
Adjustments for non-cash income and expense items:		
Franking credits received	(9,504)	(7,384)
Depreciation	7,690	9,009
Amortisation	2,000	2,000
(Increase) / decrease in assets:		
Market value adjustment	(41,815)	(62,133)
Accounts receivable	27,475	(35,083)
Deferred tax asset	12,544	18,641
(Decrease) / increase in liabilities:		
Accounts payable	3,000	35
Provisions and other liabilities	8,208	57,703
Net cash from operating activities	131,624	58,880

Note 18. Directors' remuneration

The number of Directors who were paid, or were due to be paid remuneration (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the Company or any related corporation, as shown in the following bands, were: 7 (6 in 2010)

The aggregate remuneration of all Directors was:	40,750	30,000
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Notes to the financial statements continued

Note 19. Financial instruments

(a) Interest rate risk exposures

The Company is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the Company, together with effective interest rates as at balance date.

2011	Floating interest rate (a)	Fixed rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
Financial assets						
Cash (i)	93,238			93,238	0.1%	
Accounts receivables			94,613	94,613		
Term deposits		144,046		144,046		5.0%
	93,238	144,046	94,613	331,897		
Financial liabilities						
Accounts payable			3,540	3,540		
	-	-	3,540	3,540		

2010	Floating interest rate (a)	Fixed rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
Financial assets						
Cash (i)	78,368			78,368	0.14%	
Accounts receivables			122,088	122,088		
Term deposits		137,922		137,922		2.5%
	78,368	137,922	122,088	338,378		
Financial liabilities						
Accounts payable			540	540		
	-	-	540	540		

(i) The floating interest rate represents the rate applicable to the instrument at balance date.

(ii) The fixed interest rate represents the contract rates in place at balance date.

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 20. Remuneration of Auditors		
The following total remuneration was received, or is due and receivable, by the Auditors of the Company in respect of:		
- Auditing the financial statements	3,835	2,805
- Other services	825	908
Total remuneration of Auditors	4,660	3,713

Note 21. Related party disclosures

Transactions undertaken on commercial terms and conditions

P Norman – bookkeeping	2,000	2,000
EZ Enterprise Pty Ltd (R Sykes) – accounting fee	2,000	2,000
Total related party payments	4,000	4,000

Note 22. Subsequent events

There have been no events after balance date which are likely to have a significant effect on the operations of the Company.

Note 23. Segment information

The Company operates predominantly in one industry, the financial services industry. All operations are carried out in East Malvern, Victoria.

Note 24. Contingent liabilities

The Company is not aware of any contingent liability as at the date of this financial report.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes
 - (a) comply with applicable Accounting Standards and the Corporations Law; and
 - (b) give a true and fair view of the financial position at 30 June 2011 and performance for the year ended on that date of the Company
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Peter Norman
Chairman



Ric Sykes
Director and Company Secretary

Dated this 26 September 2011

Independent audit report

To the members of the East Malvern Community Financial Services Limited.

Scope

We have audited the financial report being the Director's Declaration, Profit & Loss Statement, Balance Sheet and Notes to the Financial Statements of East Malvern Community Financial Services Limited for the period 1 July 2010 to 30 June 2011. The Company's Directors are responsible for the financial report. We have 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 to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

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

- (a) the Corporations Law 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 and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements

John Creffield

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John Creffield

Principal

15/08/2011

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(BMPAR11012) (07/11)

