

2022

# annual report

East Malvern Community  
Financial Services Limited

ABN 27 089 542 174

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# Chairman's report

For year ending 30 June 2012

It is again my pleasure to report on another year of strong operating results for the company and our largest ever contribution to the community groups that we serve. In the latest financial year the company's overall financial results were marginally lower than the prior year, however records were still set across many areas of the business such as:

- Business growth (Branch footings)
- Branch revenue and operating profits
- Sponsorship and donations
- Attainment of the "Target \$2,000,000 in 2012" for aggregate Community Sponsorships

East Malvern **Community Bank**<sup>®</sup> Branch remains one of the top performers of all **Community Bank**<sup>®</sup> branches which now number 290 across Australia and have collectively returned more than \$80 million in community grants over 12 years.

In 2012 the company's share of margin revenue was reduced due to the intense competition for retail deposits that played out across the Australian banking sector and we suffered a negative mark-to-market non-cash adjustment on our investment Sponsorship Fund. Partially offsetting these negatives was the strong volume growth in branch footings particularly in the higher margin lending products. Key metrics were as follows:

<b>\$'000</b>	<b>2012</b>	<b>2011</b>	
Revenue	1,176	1,207	down 3%
Operating profits before sponsorships and tax	508	529	down 4%
Sponsorships and donations	434	332	up 31%
Shareholder dividends (declared/paid)	87	87	no change
Branch footings	140.5m	121.8m	up 15%

Breaking down the results, the underlying branch profit before tax for the year increased by \$21,000 or 4% on the back of strong growth in branch footings (business volume) partially offset by declining share of interest margin income. Operating margins continued to improve, moving to 42% from 41% last year as costs were kept under control. Investment earnings continue to fluctuate with the movements in the stock market but are making a meaningful contribution to the company's cash flows and ability to fund the higher levels of community sponsorships.

<b>Operating results (\$'000)</b>	<b>1H11</b>	<b>2H11</b>	<b>TOTAL 2011</b>	<b>1H10</b>	<b>2H10</b>	<b>TOTAL 2010</b>
<b>Community Bank<sup>®</sup> branch</b>						
Branch revenue	580	578	1,158	585	563	1,148
Branch operating profit	237	254	491	249	222	470
Operating margin	41%	44%	42%	42%	39%	41%
<b>Investment income</b>						
Cash investment earnings	26	23	49	(5)	22	17
Mark-to-market adjustment	(49)	17	(32)	66	(24)	42
<b>Operating profit before sponsorships and tax</b>	<b>214</b>	<b>294</b>	<b>508</b>	<b>309</b>	<b>220</b>	<b>529</b>
Sponsorships			(434)			(332)
<b>Net profit before tax</b>			<b>74</b>			<b>197</b>

# Chairman's report (continued)

Reflecting the relatively stable earnings position of the company your Board has paid an interim dividend of 10 cents (10 cents 2011) and has resolved to pay a steady final dividend of 12 cents per share (12 cents 2011) both fully franked, making 22 cents (22 cents 2011) for the year, payable on 31 October 2012 to all shareholders as at 30 September 2012.

From the commencement of the business in May 2000 the cumulative return to the community and shareholders as at 30 June 2012 has amounted to more than 6 times our initial capital comprising:

Sponsorships and donations	\$1,996,000	70%
Dividends paid to shareholders	\$ 562,000	20%
Retained earnings	\$ 301,000	10%
<b>Total</b>	<b>\$2,859,000</b>	<b>100%</b>

These returns have more than exceeded any initial estimates or forecasts we had at the inception of the company and match our long term commitment of returning 20% of the surplus to our shareholders.

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

In July 2010 the Board committed itself to a target of \$2,000,000 in sponsorships by 2012.

I am pleased to report this target was 99.8% achieved by 30 June 2012 with 6 months to spare.

This financial year the company increased community distributions by \$102,000 or 31% including substantial contributions to a variety of organisations and events such as the Stonnington Gift which are detailed in the Sponsorship Committee Report.

In addition to our community sponsorship grants, the company made a long term long loan to the Edenhope **Community Bank**<sup>®</sup> Branch to assist them in financing the Edenhope & District Memorial Hospital Medical Clinic and a substantial grant has been approved for the Numurkah Hospital which was severely damaged by floods in 2011. We view this assistance as a separate adjunct to our normal community sponsorship programme.

## Branch operations

Branch footings grew by \$18.7 million or 15% over the past 12 months with the branch gaining access to large Treasury deposits for the first time. In addition, an excellent level of growth in lending was achieved up 24% which will be an important contributor to future profits particularly as the deposit side our business faces ongoing margin pressures.

Over the last 4 years the branch has demonstrated a very consistent track record of solid growth rates equivalent to a 14% pa compound growth in total footings.

Our business footings by product are as follows:

Product	2012 \$mil	2011 \$mil	2010 \$mil	2009 \$mil	2008 \$mil
Savings accounts	8.2	10.3	8.7	9.7	7.7
Term deposits/treasury	71.8	56.3	53.8	51.2	27.4
Statement accounts	17.6	17.2	17.0	17.0	18.0
Lending	35.9	29.0	21.9	24.3	23.3
Off balance sheet business	7.0	9.0	7.3	5.0	7.0
<b>Total</b>	<b>140.5</b>	<b>121.8</b>	<b>108.7</b>	<b>107.2</b>	<b>83.4</b>

During the year the company took over the lease of the remaining part of the 300 Waverley Rd premises and has sublet this part out on a commercial arms length basis.

# Chairman's report (continued)

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## **Bendigo and Adelaide Bank**

The **Community Bank**<sup>®</sup> network's reach throughout Australia continues to expand within the overall activities of Bendigo and Adelaide Bank, I would like to acknowledge their continuing support and encouragement, and their focused attention to the needs of their customers.

## **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 (Resigned as Director 30 June 2012)

Kenneth R. Blackshaw

Cheryl S. Newsom

Philip C. Carey

Michael Arbon

Todd Foster (Resigned 26 September 2011)

Finally, I would like to thank those who are currently supporting our **Community Bank**<sup>®</sup> 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**<sup>®</sup> branch as its ongoing strength and vitality provide the ability for the company to continue to set and obtain important community objectives such as **“Target \$2,000,000 in 2012”**.



**Peter Norman,**  
**Chairman**

# Sponsorship Committee report

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For year ending 30 June 2012

An important part of our business model is based upon being an active and substantial contributor to the health and well being of our community. The extensive array of assistance the company provides has in turn played a significant role in our commercial success. Since the branch opened in 2000 our aggregate of approved sponsorships together with donations and other community contributions have now exceeded \$1,996,000 which compares very favourably to the \$80 million that the entire **Community Bank**<sup>®</sup> programme across 290 branches has returned since inception.

This financial year, the company was proud to have supported a wide cross section of community organisations, 63 in all, for a variety of initiatives with a total value of \$434,260 (\$331,847 (2011)).

## SPORT

### Organisation

- All Saints Tennis Club
- Ashburton Young Cricketers C C
- Caulfield Cricket Club
- Caulfield Grammarians Cricket Club
- Caulfield Grammarians Football Club
- Chadstone Bowls 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 Football Club
- East Malvern RSL Anglers Club
- Lloyd Street Netball Club
- Malvern Bowling Club
- Malvern Cricket Club
- Malvern Junior Cricket Club
- Malvern Sports & Recreational Club
- Melbourne Rugby Union Football Club
- Monash Gryphons Cricket Club
- Monash Gryphons Soccer Club
- Old Melburnians Soccer Club
- Old Xaverians Football Club
- Powerhouse Amateur Cricket Club
- Powerhouse Amateur Football Club
- Prahran Amateur Football Club
- South Eastern BMX Club`
- St. Patrick's Tennis Club
- St.Kevins Old Boys Football Club

### Outcome

Junior & Senior Activity Programs  
Training equipment, Upgrading Club Website  
Cricket Practice Equipment  
Equipment  
Fundraising for New Scoreboard  
Replacing Bowling Green  
Uniforms & Canteen Equipment  
Improved Ground Lighting  
Upgrade Gym and Kitchen  
Uniforms  
Wicket Covers, Marquee  
Sporting Equipment, New Refrigerator  
Excursion  
Marquee and Banner  
Membership Drive, 100 Year Celebrations  
Upgrade of Turf Wickets  
Junipr Coaching and Development program  
Replacement of Tables, Chairs and Carpet  
Part Funding Club Vehicle  
Training equipment, Upgrading Club Website  
Soccer Equipment, Uniforms  
Equipment  
Auskick Clinics, Pavilion upgrade.  
Marquee and Banner  
Kitchen Upgrade, Defibrillator  
Football Clinics for Disadvantaged  
Replacement of Stolen Equipment  
Property Upgrade for Disabled Access  
Grand Final Lunch, Coaches Boxes

# Sponsorship Committee report (continued)

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- |  |  |
|--|--|
| • Scotchmans Creek Golf Club             | Printed Golf Balls                           |
| • Stonnington Gift                       | Sponsorship of Stonnington Gift              |
| • The Local Footy Show                   | Broadcasting and Televising Amateur Football |
| • Toorak East Malvern Hockey Club        | Equipment, Coaching                          |
| • Toorong District Cricket Club          | Covers for Turf Wickets.                     |
| • VAFA Integration Development Assn.     | Golf Day Fundraiser                          |
| • Victorian Amateur Football Association | Improvements to Facilities                   |

## EDUCATION

### Organisation

- Caulfield Park Community School
- Ewing Kindergarten
- Gardiner Pre School
- Lloyd Street School
- Malvern Memorial Kindergarten
- Malvern Valley Primary School
- Solway Primary School
- St. Roch's Primary School
- St. Mary's Primary School
- Sunny Side Kindergarten
- The Currajong School

### Outcome

- Breakfast Program
- Kitchen Renovation
- Improvements to Outdoor Play area
- Sponsorship of Fair
- Improvements to Playground
- Twilight Fundraising Market
- Debating Program, Replacement Kiln
- Marquees
- Curtains, Painting, Upgrade Toilets
- Development of Sandpit Area
- Specialist Dance Program

## COMMUNITY

### Organisation

- Camp Quality
- Caulfield Toy Library
- Cystic Fibrosis
- Duldig Gallery
- Garlstonpark Girl Guides
- Lighthouse Foundation
- Lyric Opera Company
- Malvern Artists' Society
- Malvern East Community Centre
- Military History & Heritage Victoria
- Phoenix Park N/hood House
- Reconnexion
- St. John's Church
- Very Special Kids

### Outcome

- "Kids with Cancer"
- New Toys
- Sponsor Race Day
- Sculpture Exhibition
- District Camp for Girls 7 - 10
- Donation
- Sponsorship of Opera
- Painting of Building, Exhibition Prize
- Data Projector, Portable P.A. System
- Sponsorship of Seminar
- Art & Jewellery Classes for Disabled
- Promotional Flyers
- Church Restoration
- Corporate Golf Day

# Sponsorship Committee report (continued)

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## COUNTRY

### Organisation

- Edenhope **Community Bank**® Branch
- Numurkah **Community Bank**® Branch

### Outcome

Funding of Medical Clinic Building  
Hospital Rebuilding Appeal

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.



**Ric Sykes**

**Director and Sponsorship Committee member**

# Directors' report

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For the financial year ended 30 June 2012

The net profit of the company for the financial year after providing for income tax amounted to \$49,918 (\$122,026 (2011))

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 **Community Bank**<sup>®</sup> operating under a franchise with the Bendigo and Adelaide Bank.
- 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 2011 of 10 cents (fully franked), an interim dividend for 2012 of 10 cents (fully franked), and the Board has recommended a final dividend of 12 cents (fully franked) to be paid on 31st October 2012 to all shareholders as at 30th September 2012.
- 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 24 September 2012



**Ric Sykes**  
**Company Secretary**

# Secretary's report

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For the financial year ended 30 June 2012

## **Use of the Company Seal**

The Company Seal was not used during the year.

## **Directors Attendance at Board Meetings**

Twelve Board Meetings were conducted during the year. The attendance was:

Peter Norman	12	
Ric Sykes	4	(Resigned as Director 30 June 2012)
Stuart Martyn	8	
Ken Blackshaw	12	
Cheryl Newsom	11	
Philip Carey	11	
Michael Arbon	10	
Todd Foster	1	(Resigned 26 September 2011)



**Ric Sykes**  
**Company Secretary**

# Financial statements

## Balance sheet as at 30 June 2012

	Note	2012 \$	2011 \$
<b>Current assets</b>			
Cash	18 (a)	82,497	93,238
Accounts receivable	5	101,813	94,613
Investments	6	151,957	144,046
<b>Total current assets</b>		<b>336,267</b>	<b>331,897</b>
<b>Non-current assets</b>			
Investments	7	480,053	482,615
Property, plant and equipment	8	45,364	60,564
Non current receivable	9	20,000	-
Intangibles	10	6,000	8,000
Deferred tax assets	11	38,215	28,482
<b>Total non-current assets</b>		<b>589,632</b>	<b>579,661</b>
<b>Total assets</b>		<b>925,899</b>	<b>911,558</b>
<b>Current liabilities</b>			
Accounts payable	12	4,934	3,540
Provisions	13	91,424	137,297
Other	14	116,562	17,394
<b>Total current liabilities</b>		<b>212,920</b>	<b>158,231</b>
<b>Non-current liabilities</b>			
Provisions	15	17,446	20,956
<b>Total non-current liabilities</b>		<b>17,446</b>	<b>20,956</b>
<b>Total liabilities</b>		<b>230,366</b>	<b>179,187</b>
<b>Net assets</b>		<b>695,533</b>	<b>732,371</b>
<b>Shareholder's equity</b>			
Share capital	16	394,300	394,310
Accumulated profits	16	301,233	338,061
<b>Total shareholder's equity</b>		<b>695,533</b>	<b>732,371</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Income statement for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Margin income	2	956,903	941,208
Fee income		161,230	167,374
Commission income		40,138	39,731
Rent income		4,167	-
Interest income		8,243	6,450
Dividends and other investment income		5,656	52,435
<b>Total income</b>		<b>1,176,337</b>	<b>1,207,198</b>
Personnel expenses		374,936	387,462
Building occupancy expenses		84,985	76,195
Depreciation and amortisation		17,200	9,690
Sponsorships and donations		434,260	331,847
Other office expenses		188,060	200,665
Bad debt expense	2	2,584	4,502
Interest expense	2	-	-
<b>Total expenses</b>		<b>1,102,025</b>	<b>1,010,361</b>
Operating profit		74,312	196,837
Income tax expense	3	24,394	74,811
<b>Operating profit after income tax</b>		<b>49,918</b>	<b>122,026</b>
Dividends declared	4	(86,746)	(86,746)
Accumulated profits at the beginning of the financial year		338,061	302,781
Prior period over accrual of income tax		-	-
<b>Accumulated profits at the end of the financial year</b>		<b>301,233</b>	<b>338,061</b>
<b>Earnings per share</b>		<b>12.7 cents</b>	<b>30.9 cents</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,266,898	1,175,788
Payments to suppliers and employees		(1,104,440)	(1,036,136)
Dividends and other investment income		27,751	10,620
Interest received		8,243	6,450
Rent received		4,167	-
Income tax paid		(68,820)	(25,098)
<b>Net operating cash flows</b>	<b>18 (b)</b>	<b>133,799</b>	<b>131,624</b>
<b>Cash flows from investing activities</b>			
Fixed assets acquired		-	(42,970)
Franchise fee renewal		-	(10,000)
Net disposal / investments in sponsorship fund (ASX listed securities)		(29,883)	21,201
Redemption / (investment) in term deposits		(7,911)	(6,124)
Loan to Edenhope <b>Community Bank</b> <sup>®</sup> Branch		(20,000)	-
<b>Net investing cash flows</b>		<b>(57,794)</b>	<b>(37,893)</b>
<b>Cash Flows from financing activity</b>			
Payment of dividends on ordinary shares		(86,746)	(78,861)
<b>Net investing cash flows</b>		<b>(86,746)</b>	<b>(78,861)</b>
Net increase/(decrease) in cash held		(10,741)	14,870
Cash at the beginning of the financial year		93,238	78,368
<b>Cash at the end of the financial year</b>	<b>18 (a)</b>	<b>82,497</b>	<b>93,238</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
At 30 June 2010	394,310	302,781	697,091
Profit for the year		122,026	122,026
Dividends declared		(86,746)	(86,746)
<b>At 30 June 2011</b>	<b>394,310</b>	<b>338,061</b>	<b>732,371</b>
Founder shares written off	(10)		(10)
Profit for the year		49,918	49,918
Dividends declared		(86,746)	(86,746)
<b>At 30 June 2012</b>	<b>394,300</b>	<b>301,233</b>	<b>695,533</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2012

## 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)

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## 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.

### **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').

## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
<b>Note 2. Profit and loss items</b>			
Margin income	2	956,903	941,208
Fee income		161,230	167,374
Commission income		40,138	39,731
Rent income		4,167	-
Interest income		8,243	6,450
Dividends and other investment income		5,656	52,435
<b>Total income</b>		<b>1,176,337</b>	<b>1,207,198</b>
Operating result is after charging the following expenses:			
<b>Depreciation:</b>			
Depreciation of :			
• Fixtures and fittings		11,822	3,148
• Motor vehicles		3,378	4,542
Amortisation of			
• Establishment fees		2,000	2,000
<b>Total depreciation and amortisation</b>		<b>17,200</b>	<b>9,690</b>
Bad debt expense		2,584	4,502
Interest expense		-	-
<b>Other operating expense items:</b>			
Provision for employee entitlements		(4,340)	23,594
Operating lease rentals		70,478	61,585

## 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	74,312	196,837
Prima facie tax expense	22,294	59,051
Tax effect of permanent and other differences:	2,100	15,760
Prior period under accrual	-	-
<b>Total income tax expense attributable to operating profit</b>	<b>24,394</b>	<b>74,811</b>

The value of franking credits as at 30 June 2012 was \$302,032 (\$273,987 2011)

## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
<b>Note 4. Dividends paid and payable</b>			
<b>Dividends paid</b>			
Fully franked interim dividend (10 cents per share)		39,430	39,430
<b>Dividends proposed</b>			
Fully franked final dividend (12 cents per share)		47,316	47,316
<b>Total dividends paid and payable</b>		<b>86,746</b>	<b>86,746</b>
<b>Note 5. Accounts receivable (current)</b>			
Accounts receivable		99,693	93,743
Sundry receivables		2,120	870
Provision for doubtful debts		-	-
<b>Total accounts receivable (current)</b>		<b>101,813</b>	<b>94,613</b>
<b>Note 6. Investments (current)</b>			
Term deposits		151,957	144,046
<b>Total investments (current)</b>		<b>151,957</b>	<b>144,046</b>
<b>Note 7. Investments (non-current)</b>			
Sponsorship fund (ASX listed securities) at cost		607,439	577,556
Market value adjustment		(127,386)	(94,941)
<b>Total investments (non-current)</b>		<b>480,053</b>	<b>482,615</b>
<b>Note 8. Property, plant and equipment</b>			
Furniture and fittings at cost		58,713	58,713
Less accumulated depreciation		(24,986)	(13,163)
<b>Total fixtures and fittings, net</b>		<b>33,727</b>	<b>45,550</b>
Motor vehicles at cost		33,609	33,609
Less accumulated depreciation		(21,972)	(18,594)
<b>Total motor vehicles, net</b>		<b>11,637</b>	<b>15,014</b>
<b>Total property, plant and equipment, net</b>		<b>45,364</b>	<b>60,564</b>

## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
<b>Note 9. Non current receivables</b>			
Loan to Edenhope <b>Community Bank</b> ® Branch		20,000	-
<b>Total non current receivables</b>		<b>20,000</b>	<b>-</b>

### Note 10. Intangibles

Franchise fee at cost		70,000	70,000
Training fee at cost		50,000	50,000
<b>Total establishment fees at cost</b>		<b>120,000</b>	<b>120,000</b>
Less accumulated depreciation		(114,000)	(112,000)
<b>Total establishment fees, net</b>		<b>6,000</b>	<b>8,000</b>
<b>Total intangibles, net</b>		<b>6,000</b>	<b>8,000</b>

### Note 11. Deferred tax asset

Temporary differences		38,215	28,482
<b>Total deferred tax assets</b>		<b>38,215</b>	<b>28,482</b>

### Note 12. Accounts payable (current)

Trade creditors – unsecured		4,934	3,540
<b>Total accounts payable (current)</b>		<b>4,934</b>	<b>3,540</b>

### Note 13. Provisions (current)

Employee entitlements		60,359	61,190
Dividends on ordinary shares		48,442	48,442
Income tax		(17,377)	27,665
<b>Total provisions (current)</b>		<b>91,424</b>	<b>137,297</b>

### Note 14. Other (current)

Net GST collected/(paid)		21,187	17,394
Accruals		88,500	-
Rental bond		6,875	-
<b>Total other liabilities (current)</b>		<b>116,562</b>	<b>17,394</b>

## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
<b>Note 15. Provisions (non-current)</b>			
Employee entitlements		17,447	20,956
<b>Total provisions (non-current)</b>		<b>17,447</b>	<b>20,956</b>

## Note 16. Share capital

### Paid up capital

<b>Ordinary shares fully paid</b>		<b>394,300</b>	<b>394,310</b>
<b>Movement in shares on issue</b>			
Beginning of the financial year		394,310	394,310
Founder shares written off		(10)	-
<b>Ordinary shares fully paid</b>		<b>394,300</b>	<b>394,310</b>
<b>Movement in retained earnings</b>			
Accumulated profits at the beginning of the financial year		337,061	302,781
Prior period over accrual of income tax		-	-
Operating profit after income tax expense		50,918	122,026
Dividends paid / payable	4	(86,746)	(86,746)
<b>Accumulated profits at the end of the financial year</b>		<b>301,233</b>	<b>338,061</b>

## Note 17. Commitments

Operating lease expenditure contracted for is payable as follows:

Not later than one year		74,304	57,001
Later than one year but not later than five years		123,840	141,908
		<b>198,144</b>	<b>198,909</b>

## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
<b>Note 18. Notes to the statement of cash flows</b>			
<b>(a) Reconciliation of cash</b>			
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		82,497	93,238
		<b>82,497</b>	<b>93,238</b>
<b>(b) Reconciliation of net cash provided by operating activities to operating profit after income tax</b>			
Operating profit after income tax		49,918	122,026
Adjustments for non-cash income and expense items:			
Founder shares written off		(10)	-
Depreciation		15,200	7,690
Amortisation		2,000	2,000
(Increase) / decrease in assets:			
Market value adjustment		32,445	(41,815)
Accounts receivable		(7,200)	27,475
Deferred tax asset		(9,733)	12,544
(Decrease) / increase in liabilities:			
Accounts payable		1,394	3,000
Provisions and other liabilities		49,785	(1,296)
<b>Net cash from operating activities</b>		<b>133,799</b>	<b>131,624</b>

## Note 19. 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 (7 in 2011)

<b>The aggregate remuneration of all Directors was:</b>	<b>\$42,000</b>	<b>\$40,750</b>
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# Notes to the financial statements (continued)

## Note 20. 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.

2012	Floating interest rate (a)	Fixed rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
<b>Financial assets</b>						
Cash (i)	82,497			82,497	0.0%	
Accounts receivables			121,813	121,813		
Term deposits		151,957		151,957		4.8%
	<b>82,497</b>	<b>151,957</b>	<b>121,813</b>	<b>356,267</b>		
<b>Financial liabilities</b>						
Accounts payable			4,934	4,934		
	-	-	<b>4,934</b>	<b>4,934</b>		

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

(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)

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	Note	2012 \$	2011 \$
<b>Note 21. Remuneration of Auditors</b>			
The following total remuneration was received, or is due and receivable, by the Auditors of the company in respect of:			
- Auditing the financial statements		2,500	3,835
- Other services		825	825
<b>Total remuneration of Auditors</b>		<b>3,325</b>	<b>4,660</b>

## Note 22. Related party disclosures

Transactions undertaken on commercial terms and conditions

P Norman: Bookkeeping fee		3,000	2,000
Frontier Assets Pty Ltd (R Sykes): Accounting fee		4,000	2,000
<b>Total related party payments</b>		<b>7,000</b>	<b>4,000</b>

## Note 23. 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 24. Segment information

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

## Note 25. Contingent liabilities

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

# Directors' declaration

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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 2012 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**  
**Company Secretary**

# Independent audit report

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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 2011 to the 30 June 2012. 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 2012 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

53 Blackwood Street  
Carnegie Vic 3163  
Ph: (03) 9569 4237 Fax: (03) 9569 4237



**John Creffield**  
**Principal**

17/08/2012

East Malvern **Community Bank**<sup>®</sup> Branch  
300 Waverley Road, East Malvern VIC 3145  
Phone: (03) 9563 6044



Franchisee:

East Malvern Community Financial Services Limited  
300 Waverley Road, East Malvern VIC 3145  
ABN: 27 089 542 174  
[www.bendigobank.com.au/east\\_malvern](http://www.bendigobank.com.au/east_malvern)

Share Registry: Richmond Sinnott & Delahunty  
10-16 Forest Street, Bendigo VIC 3550

Postal Address:

PO Box 30, Bendigo VIC 3552  
Phone: (03) 5445 4200 Fax: (03) 5444 4344  
Email: [shareregistry@rsdadvisors.com.au](mailto:shareregistry@rsdadvisors.com.au)  
[www.rsdadvisors.com.au](http://www.rsdadvisors.com.au)