



East Malvern Community
Financial Services Limited

ABN 27 089 542 174

**ANNUAL
REPORT
2013**

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Chairman's report

For year ending 30 June 2013

It is again my pleasure to report on another successful year for the company and to outline the steps we are taking to further build the strength of the company and the connections to the community groups that we serve. In the latest financial year, the company's results grew strongly despite a trend of declining branch profitability. Key achievements included:

- Record revenues and operating profits
- Strong business growth (branch footings)
- Launch of social media strategy.

East Malvern **Community Bank**[®] Branch has retained its position as one of the top performers of all **Community Bank**[®] branches which now number 298 across Australia and have collectively returned more than \$100 million in community grants over 13 years.

Financial metrics were as follows:

| \$'000 | 2013 | 2012 | |
|---|---------------|---------------|----------|
| Revenue | 1,370 | 1,176 | up 16% |
| Operating profits before sponsorships and tax | 582 | 508 | up 15% |
| Sponsorships and donations | 322 | 434 | down 26% |
| Shareholder dividends (declared/paid) | 91 | 87 | up 5% |
| Branch footings | 152.8 million | 140.5 million | up 9% |

In 2013 the company's share of margin revenue was reduced due to further negative changes in the revenue sharing agreement with Bendigo Bank and the combination of falling official interest rates and intense competition for retail deposits. Despite strong and consistent volume growth in branch footings over the last three years branch revenue has stagnated and branch operating profits and margins have declined. Over this time the company has been somewhat protected by strong growth in cash investment and rental earnings. This year the favourable mark-to-market non-cash adjustments of our investment Sponsorship Fund were certainly a welcome respite from recent years, but it is not something we can count on to drive future profitability.

Operating costs were kept under control, although there has been a significant investment in building our marketing presence, social media platforms along with a one-off spike in costs associated with the Target \$2,000,000 celebratory dinner held in November 2012.

Chairman's report (continued)

| Operating results (\$'000) | Total | | | Total | | |
|---|------------|------------|------------|------------|------------|------------|
| | 1H13 | 2H13 | 2013 | 1H12 | 2H12 | 2012 |
| Community Bank® branch | | | | | | |
| Branch revenue | 604 | 549 | 1,153 | 580 | 578 | 1,158 |
| Branch operating profit | 181 | 183 | 364 | 237 | 254 | 491 |
| Operating margin | 30% | 33% | 32% | 41% | 44% | 42% |
| Investment income | | | | | | |
| Cash investment earnings | 39 | 30 | 69 | 26 | 23 | 49 |
| Mark-to-market adjustment | 85 | 64 | 149 | (49) | 17 | (32) |
| Operating profit before sponsorships and tax | 305 | 277 | 582 | 214 | 294 | 508 |
| Sponsorships | | | (322) | | | (434) |
| Net profit before tax | | | 260 | | | 74 |

Cautious of the impact of declining branch margins, albeit with solid overall earnings growth your Board has paid an interim dividend of 11 cents (10 cents 2012) and has resolved to pay a steady final dividend of 12 cents per share (12 cents 2012) both fully franked, making 23 cents (22 cents 2012) for the year, payable on 31 October 2013 to all shareholders as at 30 September 2013.

From the commencement of the business in May 2000 the cumulative return to the community and shareholders as at 30 June 2013 has amounted to more than eight times our initial capital comprising:

| | | |
|--------------------------------|--------------------|-------------|
| Sponsorships and donations | \$2,318,000 | 69% |
| Dividends paid to shareholders | \$ 653,000 | 19% |
| Retained earnings | \$ 391,000 | 12% |
| Total | \$3,362,000 | 100% |

These returns have more than exceeded any initial estimates or forecasts we had at the inception of the company and are in line with the long-term objective of an 80:20 split of surpluses between community and shareholders.

Community sponsorships

The branch continued to supply grants to many varied organisations throughout 2012/13. Our branch offers assistance to most if not all the local Primary Schools and Kindergartens with many worthwhile projects being undertaken at these locations. From playground restoration and infrastructure projects to supporting music and drama programs, our involvement is on many levels.

Our commitment to local sport underpins our belief in the youth of the area becoming involved in activities that will socially develop them and provide interaction and maturity to enable them to cope better with life situations in the future.

Our support to various aged care groups and charitable organisations is also at the forefront of our grants program and enables our Branch to place funds in areas of need. We believe our support of groups such as Very Special Kids, Lighthouse Foundation and Cystic Fibrosis Victoria, to simply name a few, is an integral part of promoting community spirit which is to the core of our **Community Bank®** model.

Chairman's report (continued)

Branch operations

Branch footings grew by \$12.3 million or 9% over the past 12 months with a continuation of excellent levels of Lending growth which cumulatively has grown by 88% over the last three years.

Over the last five years the branch has demonstrated a very consistent track record of solid growth rates equivalent to a 13% pa compound growth in total footings.

Our business footings by product are as follows:

| Product | 2013 \$mil | 2012 \$mil | 2011 \$mil | 2010 \$mil | 2009 \$mil | 2008 \$mil |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Savings accounts | 8.5 | 8.2 | 10.3 | 8.7 | 9.7 | 7.7 |
| Term deposits/treasury | 76.0 | 71.8 | 56.3 | 53.8 | 51.2 | 27.4 |
| Statement accounts | 19.3 | 17.6 | 17.2 | 17.0 | 17.0 | 18.0 |
| Lending | 41.2 | 35.9 | 29.0 | 21.9 | 24.3 | 23.3 |
| Off balance sheet business | 7.8 | 7.0 | 9.0 | 7.3 | 5.0 | 7.0 |
| Total | 152.8 | 140.5 | 121.8 | 108.7 | 107.2 | 83.4 |

Digital strategy

In November 2012 East Malvern **Community Bank**[®] Branch commenced a social media program on Facebook and YouTube. The primary strategy is for the East Malvern **Community Bank**[®] Branch Facebook page to become the go-to location for community events and updates from within and around East Malvern.

In order to achieve this result we post about upcoming community events, photos from events we have attended, local athletic events, business spotlights, community fundraisers, etc. This helps to drive traffic to our page and share useful information that supports our community engagement goals.

Our goal is to continue to expand our presence (increase our "likes" and YouTube subscribers) while also increasing the interaction on the page. We want our customers to feel comfortable commenting on a post or sharing their thoughts with us on either these pages.

Additionally we want to use these pages to continue to express our commitment to the many community partner organisations we serve by highlighting their local events as often as possible.

In April of 2013 we also launched our own website specific to East Malvern **Community Bank**[®] Branch. Please visit the site: <http://emcb.com.au>. Our focus is to grow our website into a community centric promotional tool with news and information about local events and activities while featuring the products and services of East Malvern **Community Bank**[®] Branch.

Both streams of social media are intended to maximise the exposure of our **Community Bank**[®] branch business in the wider community and in time become a conduit for future branch growth.

Board of Directors

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

During the year a long serving and tireless Ken Blackshaw resigned as a Director. He was member of the original **Community Bank**[®] branch Steering Committee and was a founding Director of the company. I was glad to have the opportunity to publically thank Ken for his service to the Board and our community at the "Target \$2,000,000" celebratory dinner held in November. I also had the chance to welcome our two latest Director appointments Anne Parsonson and James Hayne who have brought a renewed vitality to the Board.

Chairman's report (continued)

The Board comprises of:-

| | |
|------------------------------------|-----------------------------|
| Peter W. Norman OAM – Chairman | |
| Stuart E. Martyn – Deputy Chairman | |
| Kenneth R. Blackshaw | (Resigned 22 October 2012) |
| Cheryl S. Newsom | |
| Philip C. Carey | |
| Michael Arbon | |
| Anne Parsonson | (Appointed 22 October 2012) |
| James Hayne | (Appointed 22 October 2012) |

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 continue to set and obtain important community objectives such as “Target \$2,000,000 in 2013” that we celebrated in late 2012.



Peter Norman OAM
Chairman

Manager's report

For year ending 30 June 2013

Here we are at the end of our 13th full year of trading as a **Community Bank**[®] branch in East Malvern. It is with great pleasure that I am able to report on a vastly matured and highly successful business.

Business growth

In a tough environment we set ourselves stretching but achievable growth targets. The harsh economic climate that has affected global economies started to have more impact on the Australian economy. Having said that I can report that East Malvern **Community Bank**[®] Branch grew by over \$12 million in overall footings an increase of approx 9% from the previous years. Giving us an overall footings figure of over \$152 million.

We have continued to maintain a focus on home loan lending, but have also developed a greater relationship with our business banking partners which has seen a good deal of growth in the area. We have also encouraged our staff to offer our clients the wide range of banking products, a process that educates both our staff and clients to appreciate that we offer a full suite of banking products.

Community engagement is an ongoing focus and our point of difference in the banking world. This year we have employed a resource to assist us in not only the marketing field but allow our branch to gain traction into the social media field. We launched our own website and have moved into Facebook and YouTube, all specific to East Malvern **Community Bank**[®] Branch. You will find our page addresses at the bottom of this report. Please feel free to visit our website and bookmark it. Also visit our social media pages and "like" us and /or subscribe to our updates on YouTube.

East Malvern **Community Bank**[®] Branch is proud of its wide and varied contribution to community groups in the wider East Malvern area. Let's not forget that our engagement with the community gives East Malvern **Community Bank**[®] Branch a far more positive conversation with those looking to do business with us. As stated above our Community Grants program is our point of difference. This, together with the service we provide places us in a prime position to get our message out to the wider East Malvern community and beyond. We support organisations such as:

Charitable

Very Special Kids

One in Five

Lighthouse Foundation

Educational

Lloyd St Primary

Serrell St Kindergarten

Gardiner Pre School

Sporting groups

Malvern Cricket Club

East Malvern Tooronga Cricket Club

De La Salle Amateur Football Club.

Manager's report (continued)

In summary, I would like to thank our Chairman Peter Norman and the Board of Directors for their continued support. Their vision and proactive support has been a major contributor to the success of the Branch. To my staff I say thank you for your continued dedication in delivering quality service in a manner rarely seen in the retail banking environment. The past financial year has not been without its challenges, however we have all met these challenges well and are looking forward to the next 12 months with anticipation and the expectation of another successful year.



Peter Wolff
Branch Manager

Sponsorship committee report

For year ending 30 June 2013

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 \$2.318 million which compares very favourably to the \$100 million that the entire **Community Bank**[®] network across 298 branches has returned since inception.

This financial year, the company was proud to have supported a wide cross section of community organisations, 55 in all, for a variety of initiatives with a total value of \$321,775 (\$434,260 (2012)).

Summarised below are the organisation we have assisted during the year along with some of the feedback we have received from our community partners;

| Sport | |
|---------------------------------------|--|
| Organisation | Outcome |
| All Saints Tennis Club | Promoting Social and Competition Tennis |
| Aust. Men & Mixed Netball Association | Sponsorship of Team to International Championships |
| Camberwell Malvern Little Aths. | Line Marking Athletics Track |
| Caulfield Cricket Club | Scoreboard and Coaching Clinics |
| Caulfield Grammarians Football Club | Scoreboard Funding |
| De La Salle OC Football Club | Upgrade of Gymnasium and Kitchen |
| East Malvern Tooronga Cricket Club | Upgrade Facilities and New Uniforms |
| East Malvern Football Club | Defibrillator, Start up Netball Competition |
| East Malvern RSL Anglers Club | Excursion for Retired Members |
| Glen Eira Amateur Football Club | Equipment, Massage Tables |
| Malvern Baseball Club | Upgrade Club Equipment |
| Malvern Junior Cricket Club | Coaching and Team Support |
| Melbourne Rugby Union Football Club | Part Fund BBQ/Food Van |
| Monash Gryphons Soccer Club | Goal Post Nets & Soccer Balls |
| Old Melburnians Soccer Club | Training Equipment |
| Powerhouse Amateur Football Club | Refurbish Change Rooms |
| Prahran Amateur Football Club | School Football Clinics |
| St. Kevins Old Boys Football Club | Sponsor Grand Final Lunch |
| St. Kevins Old Boys Soccer Club | Safety Equipment, New Benches, Medical Kits |
| Scotchmans Creek Golf Club | Defibrillator |
| Stonnington Gift | Stonnington Gift Event Sponsorship |
| The Local Footy Show | VAFA Radio and TV Broadcasts |
| Toorak East Malvern Hockey Club | Club Maintenance and Coaching |
| Toorak Park Users Group | Reduction of Scoreboard Loan |
| VAFA Integration Development Assn. | Sponsorship of Golf Day |
| VAFA Umpires Association | Naming Rights Sponsorship |

Sponsorship committee report (continued)

East Malvern Tooronga Cricket Club

“East Malvern **Community Bank**® Branch involvement is fundamental to our ability to deliver a worthwhile cricket experience to young and old across the Stonnington Community. East Malvern Tooronga Cricket Club is greatly appreciative of the relationship and support we have enjoyed over many years from Peter Norman, Peter Wolfe and the EMCBB team in Waverley Road.”

John Gilbert
President, East Malvern Tooronga Cricket Club

Caulfield Cricket Club

“Caulfield Cricket Club is proud to have partnered with East Malvern **Community Bank**® Branch for the past four years.

We operate in a highly competitive environment for amateur sporting clubs, meaning sponsorship support from commercial partners is critical. Without East Malvern **Community Bank**® Branch’s generous financial support, recent initiatives such as new playing and training apparel for our senior and junior players, new cricket training equipment and our full colour Electronic Scoreboard at Caulfield Park would simply not have been possible.

Further, in terms of personal financing needs, a number of our players and their families have benefitted from outstanding personal service and very competitive home loan interest rates provided by Peter Wolff and his team, so it’s been a wonderful relationship between both organisations.

We hope it continues for many years to come.”

Shaun Richardson
President, Caulfield Cricket Club

Malvern Baseball Club

I would just like to thank Peter Wolff and the team at East Malvern **Community Bank**® Branch for providing us with the Bendigo Bank Portable Community Eftpos machine.

It has made a huge difference to our Come & Try day down at Malvern Baseball Club.

We are now able to take registration fees immediately and all of the people see the portable eftpos machine with Bendigo Bank branding which further strengthens the connection between player and sponsor. We took in excess of \$3,630 on our last Come & Try day largely due to having the ability to transact immediately. These funds will go to help us buy more junior equipment and upgrading our training facilities.

Thank you for your support!

Heather Lawler
Treasurer, Malvern Baseball Club

Sponsorship committee report (continued)

Education

| Organisation | Outcome |
|---------------------------------|------------------------------------|
| Caulfield Park Community School | Breakfast Program |
| Central Park Childcare | Outdoor Play Equipment |
| Korowa Parents Association | Sponsorship of School Fair |
| Lloyd Street School | International Baccleaurate Program |
| Malvern Memorial Kindergarten | Upgrade Kindergarten Kitchen |
| Malvern Valley Primary School | Retaining Wall in Playground Area |
| Sacre Coeur | Sponsorship of School Fair |
| Serrell Street Kindergarten | Rainwater Tank |
| Solway Primary School | Sponsorship of School Fair |
| St. Mary's Primary School | Hall Renovation and Improvements |

Country

| Organisation | Outcome |
|--|--------------------------------------|
| Edenhope Community Bank [®] Branch | Reduction of Loan |
| Numurkah Community Bank [®] Branch | Donation to Hospital Rebuilding Fund |

Golden Days Radio

“Golden Days 95.7FM is a community radio station which has been meeting the listening needs of senior citizens since 1994. We have maintained deposit accounts with the EMCB since 2005. In 2009, the premises we occupied at Caulfield were demolished and a grant from the Bank greatly assisted our relocation to Glen Huntly. Since then we have appreciated the contribution of the EMCB towards the ongoing costs of maintaining our broadcasts to the many seniors who find radio a great companion.”

John Amor
Hon Treasurer, Golden Days Radio

Stonnington Symphony

The funds generously granted to us by the East Malvern **Community Bank**[®] Branch support our ongoing commitment to engaging professional conductors and soloists throughout the year for our annual Town Hall Concert Series. This initiative is designed to avail both established and emerging performers of opportunities to expand their repertoire and work with a recognised arts organisation. It also gives our membership, over 70% of which are resident in the Cities of Stonnington, Boroondara and Port Phillip, exposure to artistic experiences normally available to community orchestra musicians. Our audiences also benefit from the exceedingly high standards aspired to and achieved by the orchestra as a result of this program.

Without the support of East Malvern **Community Bank**[®] Branch the continuation of our Professional Artists Program would have to be questioned on financial grounds. The significance of the branch's contribution to our greater musical community is enormous. On behalf of our membership, supporters, audiences and players, I am delighted to have an opportunity to express our thanks for this support.

Pip Grummet
General Manager, Stonnington Symphony, Inc

Sponsorship committee report (continued)

Community

| Organisation | Outcome |
|-----------------------------------|--|
| Duldig Gallery | Sculpture Exhibition |
| East Malvern Combined Probus Club | Subsidise 3 Day Bus Trip for Seniors |
| Garston Park Girl Guides | Bus Hire to take Guides to Camp |
| Golden Wattle Day Club | Commercial Coach Trips for Seniors |
| Lighthouse Foundation | Psychological Wellness Program |
| Love Courage Hope Foundation | Sponsorship of Fund Raising Event |
| Malvern Artists' Society | Art Exhibition and Prizes |
| Malvern East Community Centre | Spring Fest Fund Raising Function |
| Malvern Historical Society | Production of Booklets |
| Malvern Special Needs P/group | Specialist Equipment, First Aid and CPR Training |
| One in 5 | Website Development |
| Phoenix Park N/hood House | Exercise Groups |
| Reconnexion | New Computers, Purpose Built Phone Stations |
| St. John's Church | Rebuilding Appeal, Support Fund Raising Dinner |
| Stonnington Symphony | Funding to engage Conductors and Guest Artists |
| Zelman Symphony | 80th Anniversary Concert |

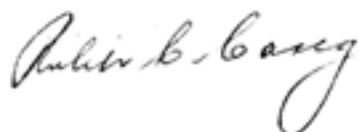
Rotary Club of Malvern

Your sponsorship helped the Rotary Club of Malvern get the Stonnington Open Gardens event off the ground, This event raised for the Very Special Kids charity. The staging of the event helped us raise the profile of this local children's charity, Rotary Club and the East Malvern **Community Bank**[®] Branch.

The event raised \$10,000 and we sincerely appreciated the contribution that you made through the sponsorship and in the promotion of the event to your clients.

Yvonne Flynn
President, Rotary Club of Malvern.

The Directors, our staff and I believe all shareholders should take pride in seeing the contributions our company is making to the communities we serve. We will continue to participate as actively as we can and respond to requests for sponsorship where benefits are available to significant sections of our community.



Phil Carey
Director and Sponsorship Committee member

Director's financial statement

For year ending 30 June 2013

The net profit of the company for the financial year after providing for income tax amounted to \$181,307 (\$49,918 (2012)).

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 to provide **Community Bank**[®] services operating under a franchise with the Bendigo and Adelaide Bank Limited.
- 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 2012 of 12 cents (fully franked), an interim dividend for 2013 of 11 cents (fully franked), and the Board has recommended a final dividend of 12 cents (fully franked) to be paid on 31 October 2013 to all shareholders as at 30 September 2013.
- 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 23 September 2013



Ric Sykes
Company Secretary

Secretary's report

For year ending 30 June 2013

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 | 10 | |
| Stuart Martyn | 6 | |
| Ken Blackshaw | 4 | (Resigned 22 October 2012) |
| Cheryl Newsom | 9 | |
| Philip Carey | 10 | |
| Michael Arbon | 10 | |
| Anne Parsonson | 7 | (Appointed 22 October 2012) |
| James Hayne | 7 | (Appointed 22 October 2012) |



Ric Sykes
Company Secretary

Financial statements

Balance sheet at 30 June 2013

| | Note | 2013 \$ | 2012 \$ |
|--------------------------------------|--------|------------------|----------------|
| Current assets | | | |
| Cash | 18 (a) | 79,953 | 82,497 |
| Accounts receivable | 5 | 93,316 | 101,813 |
| Investments | 6 | 63,972 | 151,957 |
| Total current assets | | 237,241 | 336,267 |
| Non-current assets | | | |
| Investments | 7 | 624,737 | 480,053 |
| Property, plant and equipment | 8 | 31,797 | 45,364 |
| Non current receivable | 9 | 105,000 | 20,000 |
| Intangibles | 10 | 4,000 | 6,000 |
| Deferred tax assets | 11 | - | 38,215 |
| Total non-current assets | | 765,534 | 589,632 |
| Total assets | | 1,002,775 | 925,899 |
| Current liabilities | | | |
| Accounts payable | 12 | - | 4,934 |
| Provisions | 13 | 109,760 | 91,424 |
| Other | 14 | 85,498 | 116,562 |
| Total current liabilities | | 195,258 | 212,920 |
| Non-current liabilities | | | |
| Provisions | 15 | 22,004 | 17,446 |
| Total non-current liabilities | | 22,004 | 17,446 |
| Total liabilities | | 217,262 | 230,366 |
| Net assets | | 785,513 | 695,533 |
| Shareholder's equity | | | |
| Share capital | 16 | 394,300 | 394,300 |
| Accumulated profits | 16 | 391,213 | 301,233 |
| Total shareholder's equity | | 785,513 | 695,533 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Income statement for the year ended 30 June 2013

| | Note | 2013 \$ | 2012 \$ |
|---|------|-------------------|-------------------|
| Margin income | 2 | 969,481 | 956,903 |
| Fee income | | 161,182 | 161,230 |
| Commission income | | 21,880 | 40,138 |
| Rent income | | 25,000 | 4,167 |
| Interest income | | 2,132 | 8,243 |
| Dividends and other investment income | | 190,730 | 5,656 |
| Total income | | 1,370,405 | 1,176,337 |
| Personnel expenses | | 403,454 | 374,936 |
| Building occupancy expenses | | 101,300 | 84,985 |
| Depreciation and amortisation | | 16,068 | 17,200 |
| Sponsorships and donations | | 321,775 | 434,260 |
| Other office expenses | | 267,325 | 188,060 |
| Bad debt expense | 2 | 108 | 2,584 |
| Interest expense | 2 | 5 | - |
| Total expenses | | 1,110,035 | 1,102,025 |
| Operating profit | | 260,370 | 74,312 |
| Income tax expense | 3 | 79,063 | 24,394 |
| Operating profit after income tax | | 181,307 | 49,918 |
| Dividends declared | 4 | (90,689) | (86,746) |
| Accumulated profits at the beginning of the financial year | | 301,233 | 338,061 |
| Prior period over accrual of dividend distributions | | (638) | - |
| Accumulated profits at the end of the financial year | | 391,213 | 301,233 |
| Earnings per share | | 46.0 cents | 12.7 cents |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2013

| | Note | 2013 \$ | 2012 \$ |
|---|---------------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,259,300 | 1,266,898 |
| Payments to suppliers and employees | | (1,194,686) | (1,104,440) |
| Dividends and other investment income | | 41,966 | 27,751 |
| Interest received | | 2,132 | 8,243 |
| Rent received | | 25,000 | 4,167 |
| Income tax paid | | (40,329) | (68,820) |
| Net operating cash flows | 18 (b) | 93,383 | 133,799 |
| Cash flows from investing activities | | | |
| Fixed assets acquired / (disposed) | | (4,143) | - |
| Net investment / (disposal) in sponsorship fund (ASX listed securities) | | (4,080) | (29,883) |
| Redemption / (investment) in term deposits | | 87,985 | (7,911) |
| Loans to Sponsorship groups | | (85,000) | (20,000) |
| Net investing cash flows | | (5,238) | (57,794) |
| Cash Flows from financing activity | | | |
| Payment of dividends on ordinary shares | | (90,689) | (86,746) |
| Net investing cash flows | | (90,689) | (86,746) |
| Net increase/(decrease) in cash held | | (2,544) | (10,741) |
| Cash at the beginning of the financial year | | 82,497 | 93,238 |
| Cash at the end of the financial year | 18 (a) | 79,953 | 82,497 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

| | Issued capital \$ | Retained earnings \$ | Total \$ |
|---|----------------------------------|-------------------------------------|---------------------|
| At 30 June 2011 | 394,310 | 338,061 | 732,371 |
| Founder shares written off | (10) | | (10) |
| Profit for the year | | 49,918 | 49,918 |
| Dividends declared | | (86,746) | (86,746) |
| At 30 June 2012 | 394,300 | 301,233 | 695,533 |
| Prior period over accrual of dividend distributions | | (638) | (638) |
| Profit for the year | | 181,307 | 181,307 |
| Dividends declared | | (90,689) | (90,689) |
| At 30 June 2013 | 394,300 | 391,213 | 785,513 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

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)

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 | 2013 \$ | 2012 \$ |
|--|------|------------------|------------------|
| Note 2. Profit and loss items | | | |
| Margin income | 2 | 969,481 | 956,903 |
| Fee income | | 161,182 | 161,230 |
| Commission income | | 21,880 | 40,138 |
| Rent income | | 25,000 | 4,167 |
| Interest income | | 2,132 | 8,243 |
| Dividends and other investment income | | 190,730 | 5,656 |
| Total income | | 1,370,405 | 1,176,337 |
| Operating result is after charging the following expenses: | | | |
| Depreciation: | | | |
| Depreciation of : | | | |
| – Fixtures and fittings | | 11,450 | 11,822 |
| – Motor vehicles | | 2,618 | 3,378 |
| Amortisation of | | | |
| – Establishment fees | | 2,000 | 2,000 |
| Total depreciation and amortisation | | 16,068 | 17,200 |
| Bad debt expense | | 108 | 2,584 |
| Interest expense | | 5 | - |
| Other operating expense items: | | | |
| Provision for employee entitlements | | 4,126 | (4,340) |
| Operating lease rentals | | 86,499 | 70,478 |

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 | 260,370 | 74,312 |
| Prima facie tax expense | 78,111 | 22,294 |
| Tax effect of permanent and other differences: | 952 | 2,100 |
| Prior period under accrual | - | - |
| Total income tax expense attributable to operating profit | 79,063 | 24,394 |

The value of franking credits as at 30 June 2013 was \$303,494 (\$302,032 (2012)).

Notes to the financial statements (continued)

| | 2013 \$ | 2012 \$ |
|---|---------------|---------------|
| Note 4. Dividends paid and payable | | |
| Dividends paid | | |
| Fully franked interim dividend (11 cents per share) | 43,373 | - |
| Fully franked interim dividend (10 cents per share) | - | 39,430 |
| Dividends proposed | | |
| Fully franked final dividend (12 cents per share) | 47,316 | 47,316 |
| Total dividends paid and payable | 90,689 | 86,746 |

Note 5. Accounts receivable (current)

| | | |
|--|---------------|----------------|
| Accounts receivable | 93,196 | 99,693 |
| Sundry receivables | 120 | 2,120 |
| Provision for doubtful debts | - | - |
| Total accounts receivable (current) | 93,316 | 101,813 |

Note 6. Investments (current)

| | | |
|------------------------------------|---------------|----------------|
| Term deposits | 63,972 | 151,957 |
| Total investments (current) | 63,972 | 151,957 |

Note 7. Investments (non-current)

| | | |
|--|----------------|----------------|
| Sponsorship fund (ASX listed securities) at cost | 603,359 | 607,439 |
| Market value adjustment | 21,378 | (127,386) |
| Total investments (non-current) | 624,737 | 480,053 |

Note 8. Property, plant and equipment

| | | |
|---|---------------|---------------|
| Furniture and fittings at cost | 54,070 | 58,713 |
| Less accumulated depreciation | (31,792) | (24,986) |
| Total fixtures and fittings, net | 22,278 | 33,727 |
| Motor vehicles at cost | 34,109 | 33,609 |
| Less accumulated depreciation | (24,590) | (21,972) |
| Total motor vehicles, net | 9,519 | 11,637 |
| Total property, plant and equipment, net | 31,797 | 45,364 |

Notes to the financial statements (continued)

| | 2013 \$ | 2012 \$ |
|--|----------------|---------------|
| Note 9. Non current receivables | | |
| Loan to Edenhope Community Bank [®] Branch | 15,000 | 20,000 |
| Loan to Toorak Park Users Group | 90,000 | - |
| Total non current receivables | 105,000 | 20,000 |

Note 10. Intangibles

| | | |
|---|----------------|----------------|
| Franchise fee at cost | 70,000 | 70,000 |
| Training fee at cost | 50,000 | 50,000 |
| Total establishment fees at cost | 120,000 | 120,000 |
| Less accumulated depreciation | (116,000) | (114,000) |
| Total establishment fees, net | 4,000 | 6,000 |
| Total intangibles, net | 4,000 | 6,000 |

Note 11. Deferred tax asset

| | | |
|----------------------------------|----------|---------------|
| Temporary differences | - | 38,215 |
| Total deferred tax assets | - | 38,215 |

Note 12. Accounts payable (current)

| | | |
|---|----------|--------------|
| Trade creditors – unsecured | - | 4,934 |
| Total accounts payable (current) | - | 4,934 |

Note 13. Provisions (current)

| | | |
|-----------------------------------|----------------|---------------|
| Employee entitlements | 59,928 | 60,359 |
| Dividends on ordinary shares | 48,442 | 48,442 |
| Income tax | 1,390 | (17,377) |
| Total provisions (current) | 109,760 | 91,424 |

Note 14. Other (current)

| | | |
|--|---------------|----------------|
| Net GST collected/(paid) | 25,423 | 21,187 |
| Accruals | 53,200 | 88,500 |
| Rental bond | 6,875 | 6,875 |
| Total other liabilities (current) | 85,498 | 116,562 |

Notes to the financial statements (continued)

| | Note | 2013 \$ | 2012 \$ |
|--|------|---------------|---------------|
| Note 15. Provisions (non-current) | | | |
| Employee entitlements | | 22,004 | 17,447 |
| Total provisions (non-current) | | 22,004 | 17,447 |

Note 16. Share capital

Paid up capital

| | | | |
|-----------------------------------|--|----------------|----------------|
| Ordinary shares fully paid | | 394,300 | 394,300 |
|-----------------------------------|--|----------------|----------------|

Movement in shares on issue

| | | | |
|---------------------------------|--|---------|---------|
| Beginning of the financial year | | 394,310 | 394,310 |
|---------------------------------|--|---------|---------|

| | | | |
|----------------------------|--|---|------|
| Founder shares written off | | - | (10) |
|----------------------------|--|---|------|

| | | | |
|-----------------------------------|--|----------------|----------------|
| Ordinary shares fully paid | | 394,300 | 394,300 |
|-----------------------------------|--|----------------|----------------|

Movement in retained earnings

| | | | |
|--|--|---------|---------|
| Accumulated profits at the beginning of the financial year | | 301,233 | 337,061 |
|--|--|---------|---------|

| | | | |
|---|--|-------|---|
| Prior period over accrual of dividend distributions | | (638) | - |
|---|--|-------|---|

| | | | |
|---|--|---------|--------|
| Operating profit after income tax expense | | 181,307 | 50,918 |
|---|--|---------|--------|

| | | | |
|--------------------------|---|----------|----------|
| Dividends paid / payable | 4 | (90,689) | (86,746) |
|--------------------------|---|----------|----------|

| | | | |
|---|--|----------------|----------------|
| Accumulated profits at the end of the financial year | | 391,213 | 301,233 |
|---|--|----------------|----------------|

Note 17. Commitments

Operating lease expenditure contracted for is payable as follows:

| | | | |
|---|--|----------------|----------------|
| Not later than one year | | 86,496 | 74,304 |
| Later than one year but not later than five years | | 70,158 | 123,840 |
| | | 156,654 | 198,144 |

Note 18. 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 | | 79,953 | 82,497 |
| | | 79,953 | 82,497 |

Notes to the financial statements (continued)

| | 2013 \$ | 2012 \$ |
|---|---------------|----------------|
| Note 18. 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 | 181,307 | 49,918 |
| Adjustments for non-cash income and expense items: | | |
| Founder shares written off | - | (10) |
| Depreciation | 14,068 | 15,200 |
| Amortisation | 2,000 | 2,000 |
| (Increase) / decrease in assets: | | |
| Market value adjustment | (148,764) | 32,445 |
| Accounts receivable | 8,497 | (7,200) |
| Deferred tax asset | 38,215 | (9,733) |
| (Decrease) / increase in liabilities: | | |
| Accounts payable | (4,934) | 1,394 |
| Provisions and other liabilities | 8,082 | 49,785 |
| Net cash from operating activities | 98,471 | 133,799 |

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: 6 (7 in 2012)

| | | |
|---|---------------|---------------|
| The aggregate remuneration of all Directors was: | 33,250 | 42,000 |
|---|---------------|---------------|

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.

| 2013 | Floating interest rate (a) | Fixed rate 1 year or less | Non-interest bearing | Total | Average interest rate | |
|------------------------------|----------------------------|---------------------------|----------------------|----------------|-----------------------|-------|
| | | | | | Floating | Fixed |
| Financial assets | | | | | | |
| Cash (i) | 79,953 | | | 79,953 | 0.0% | |
| Term deposits | | 63,972 | | 63,972 | | 3.9% |
| Accounts receivables | | | 93,316 | 93,316 | | |
| Non current receivables | | | 105,000 | 105,000 | | |
| | 79,953 | 63,972 | 198,316 | 342,241 | | |
| Financial liabilities | | | | | | |
| Accounts payable | | | - | - | | |
| | - | - | - | - | | |

| 2012 | Floating interest rate (a) | Fixed rate 1 year or less | Non-interest bearing | Total | Average interest rate | |
|------------------------------|----------------------------|---------------------------|----------------------|----------------|-----------------------|-------|
| | | | | | Floating | Fixed |
| Financial assets | | | | | | |
| Cash (i) | 82,497 | | | 82,497 | 0.0% | |
| Term deposits | | 151,957 | | 151,957 | | 4.8% |
| Accounts receivables | | | 121,813 | 121,813 | | |
| Non current receivables | | | 20,000 | 20,000 | | |
| | 82,497 | 151,957 | 141,813 | 376,267 | | |
| Financial liabilities | | | | | | |
| Accounts payable | | | 4,934 | 4,934 | | |
| | - | - | 4,934 | 4,934 | | |

(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)

| | 2013 | 2012 |
|--|--------------|--------------|
| | \$ | \$ |
| Note 21. 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 | 2,500 | 2,500 |
| - Other services | 600 | 825 |
| Total remuneration of Auditors | 3,100 | 3,325 |

Note 22. Related party disclosures

Transactions undertaken on commercial terms and conditions

| | | |
|---|--------------|--------------|
| P Norman: Bookkeeping fee | 3,000 | 3,000 |
| Frontier Assets Pty Ltd (R Sykes): Accounting fee | 5,000 | 4,000 |
| Total related party payments | 8,000 | 7,000 |

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

The Directors of the company declare that:

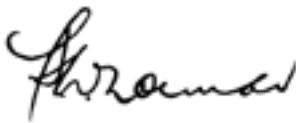
1. The financial statements and notes

(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 2013 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 OAM
Chairman



Ric Sykes
Company Secretary

Dated 23 September 2013

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 2012 to 30 June 2013. 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 2013 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

12 September 2013



East Malvern **Community Bank**[®] Branch
300 Waverley Road, East Malvern VIC 3145
Phone: (03) 9563 6044

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East Malvern Community Financial Services Limited
300 Waverley Road, East Malvern VIC 3145
ABN: 27 089 542 174
www.bendigobank.com.au/east_malvern

Share Registry: Richmond Sinnott & Delahunty
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(BMPAR13117) (09/13)

