

Community Financial Services
Victoria Limited
ABN 51 092 756 351

annual report 2011



Lang Lang and Pearcedale **Community Bank**[®] branches

Koo Wee Rup, Narre Warren South and
Tooradin & Coastal Villages branches

Contents

| | |
|---|--------------|
| Chairman's report | 2-3 |
| Lang Lang Manager's report | 4 |
| Pearcedale Manager's report | 5 |
| Koo Wee Rup Manager's report | 6 |
| Narre Warren South Manager's report | 7 |
| Tooradin & Coastal Villages Manager's report | 8 |
| Bendigo and Adelaide Bank Ltd report | 9-10 |
| Directors' report | 11-16 |
| Auditor's independence declaration | 17 |
| Financial statements | 18-21 |
| Notes to the financial statements | 22-44 |
| Directors' declaration | 45 |
| Independent audit report | 46-47 |
| BSX report | 48-49 |

Chairman's report

For year ending 30 June 2011

Whilst the year 2011 was not characterised by the financial turbulence and uncertainties of previous recent years, challenging business conditions still remain the precedence. Your local management team's concentrated efforts, along with Bendigo and Adelaide Bank Ltd's ever present strong support, enabled our community Company to hurdle these challenges, remain buoyant and produce financials that reflect moderate to strong earnings for the year, a decent achievement in relative terms (industry wise).

Profitability remained in line with expectations despite the reduction in trailing commission from 0.5% to 0.375% on term deposits greater than 90 days and fixed rate home loans from 1 April 2010. A net increase in profit of 24.9% was a pleasing result (excluding income tax, grants, sponsorships and donations).

It's not difficult to understand and it's worth noting that the Community Financial Services Victoria Ltd branch network is well established and has its own market presence in our communities of Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South, Tooradin and the Coastal Villages. Our staff, strongly supported by our business partner Bendigo and Adelaide Bank Ltd, work to underpin this directive in their day to day efforts providing outstanding banking and financing, investment and insurance options to a broad base of industry, private and commercial clients. Our goal is to continually provide outstanding products and services to our customers, whilst recognising the importance of catering to all business indices and maintaining a healthy and balanced portfolio. We don't aim to be the biggest in the business, but importantly we aim to be the best in the business.

Our front line team being led by the Branch Manager in each location are all committed to the **Community Bank®** model. Our Managers continue to engage with their communities and take a genuine interest in the predominately volunteer groups that make up the heart of each town. The **Community Bank®** model provides a tremendous catalyst for greater liaisons between our Managers and their respective communities promoting the win/win situation through mutual support. This is evident through our Grants and Sponsorship program that this year saw 61 community groups share in more than \$278,000 at a presentation evening held in Koo Wee Rup. These funds are in addition to the many other ways our local branches are assisting their community groups. This represents a magnificent community investment outcome for our communities, the Company, our customers, our shareholders and our partner, Bendigo and Adelaide Bank Ltd.

Your Board of Directors is deeply committed to the continued sustainable growth of your community Company. Lang Lang **Community Bank®** Branch celebrates 13 years of business this year and the initial principles that guided the Directors in the early days of the Company are still as strong today as they were 13 years ago. Banking services have been retained to maintain and support a commercial presence in the town. Profits are being returned to the community via community groups and community projects. And shareholders who supported an unproven and unique model continue to receive a dividend on their investment. The Directors have high regard for the initial and continued support of the shareholders of Community Financial Services Victoria Limited.

Chairman's report continued

I would like to acknowledge the efforts of our Managers and their branch teams, our business partner Bendigo and Adelaide Bank Ltd, my fellow Directors and in particular our Executive Officer, Tania Hansen who provides tremendous value and support to the Chairman and her fellow Board members. Thank you to our fellow shareholders for their continued faith and ongoing support of the Board and the **Community Bank®** ideals.



Michael Duff
Chairman

Lang Lang Manager's report

For year ending 30 June 2011

My first year in Lang Lang saw me develop relationships with many individuals and groups within Lang Lang and the surrounding areas. I was humbled to be welcomed into so many volunteer organisations who are all pursuing interests to make their communities better places. I look forward to deepening these relationships in the upcoming year.

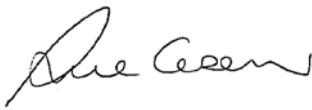
The branch faced some challenges this year in relation to business growth. We lost a number of customers and business to neighbouring **Community Bank**[®] branches as people living close to these branches wished to support their local **Community Bank**[®] branch. Hence, business growth was below expectations and disappointing. I do however believe that indicators are positive for business growth for the upcoming year.

I thank my team, Pam, Jacquie, Melissa, Laura and Brooke. Christine left us to have a family. Laura our School Based Trainee has accepted a permanent position and will soon be expanding her experience taking on a relief position with our group. We have recently welcomed on board our newest team member, Brooke. I would like to thank all of my staff for the commitment and enthusiasm they bring to our branch each day. Their willingness to provide a high level of service to all of our customers will ensure that the branch continues to grow steadily.

During the coming financial year I am aiming to grow our business, based on the expected growth for the Lang Lang township and surrounding areas. We continue to receive support from the local community groups, clubs and schools. I have had a very rewarding year working within various local community group committees.

To our shareholders and customers, I extend my gratitude for your support during my first year at Lang Lang. It is your banking support that generates the income to enable us to provide funds to our communities.

I would also like to thank the Board of Directors for their support of our community and to all our shareholders who made the Lang Lang **Community Bank**[®] Branch possible.



Sue Carson
Branch Manager

Pearcedale Manager's report

For year ending 30 June 2011

I joined the team at Pearcedale **Community Bank**[®] Branch in November after Hayley De Jong began her maternity leave. This transition was smooth with my migration from role of Manager of Tooradin & Coastal Villages branch. In line with my appointment to Pearcedale **Community Bank**[®] Branch, I focussed on the development of strong relationship with key community groups and representatives. This strategy has assisted in building a good understanding of the Pearcedale community area of influence and its needs.

The branch experienced the effects of a softening in lending demand over the year in line with a general weakening of consumer demand against a back-drop of rising interest rates (RBA Official Rate increases). Performance of the branch was also negatively impacted upon by the strong competitive lending environment which persisted throughout the year. Net increase in loan balances overall was 0.7%. Growth in Business Banking lending business was favourable as was deposit growth with total deposits of over \$40million achieved. Customer numbers remained static at 2,718 during the year.

Two staff retirements, Una Merrick and Jenny MacGeorge saw a change in the team at Pearcedale. We appointed Melanie Casey as Customer Service Supervisor from Beaconsfield **Community Bank**[®] Branch. We welcomed back Jaimie Cartwright who returned from maternity leave and a new School Based Trainee Jenny who joins us through the ASBA scheme. I acknowledge these staff members as well as Viv, Keryn and Di. Our team continues to assist our customers with their banking needs and offers excellent customer service in a friendly environment.

I consider that the branch now has a stable and highly motivated team to effectively manage the business in a forward and positive direction. Lending enquiry has increased in the current period which aids confidence in a marked turnaround in lending growth for the year ahead.



Darryl Sutcliffe
Branch Manager

Koo Wee Rup Manager's report

For year ending 30 June 2011

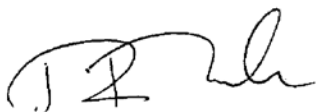
Koo Wee Rup branch has been operating over seven years now, and the continued growth of our branch during the 2010/2011 financial year has been pleasing. This year we have seen solid growth in our business with deposits increasing by 8% and loans increasing by 4%. Our branch now has 1,391 customers with the number of accounts now held being 2,269, both of which is a 3% increase from previous year.

This year saw some renovations take place at our branch to install an ATM and create a new working area for our Customer Relationship Officer. The ATM was installed in March and we have received positive feedback from many of our customers. We would envisage that the new ATM will attract new customers to our branch over the next 12 months. The new CRO area/desk has provided better access for our customers to have more meaningful conversations with our staff to help build on our existing relationships and gain new customer relationships. This new area for our CRO has been well received by both customers and staff.

The staff at Koo Wee Rup branch provide excellent customer service and sustained customer relationships. I acknowledge the performance of our team, Kay, Julie, Donna and Amanda and thank them for their continued support. We would not have achieved our growth results without the commitment and professionalism of all the staff at Koo Wee Rup branch.

During the coming financial year our branch is aiming to increase our business growth by 10%. This is achievable given the expected growth of Koo Wee Rup and the surrounding townships, along with increased support being received from the local community groups, clubs and schools who have benefitted from our Community Grants & Sponsorships. The Koo Wee Rup community provides plenty of opportunity for growth for our branch as development in surrounding areas continues to prosper. As the relationship between our branch and the Koo Wee Rup community continues to grow and strengthen, we can only foresee positive strong results for our branch in the coming years.

I would like to thank all our customers for their continued support of our branch, the Board of Directors for their support of our community and all our shareholders. It is only with the support of these three groups that our branch is able to continue growing and providing benefits to the local community of Koo Wee Rup and surrounding townships.



Richard Roach
Branch Manager

Narre Warren South Manager's report

For year ending 30 June 2011

The Narre Warren South branch has continued to grow throughout 2010/11 in spite of difficult economic conditions and strong competition from other financial institutions.

Overall lending growth was 6.8% for the year. Overall deposit growth for the year was 13.7%.

Customer numbers have increased by 2.5% to 3,170 and we continue to open an average of 60 new accounts each month.

Julie Carter joined our team in August having previously worked at the Ferntree Gully & Rowville **Community Bank**[®] branches. We have also taken on a new School Based Trainee, Jack Keen through the ASBA scheme.

I would like to thank all of my staff, Ali, Pauline, Jacky, Julie, Ashlee and Jack, for the commitment and enthusiasm they bring to the office each day. Their willingness to provide a high level of service to all of our customers will ensure that the branch continues to grow steadily.

I would also like to acknowledge the work done by our two relief staff, Angie Giffin and Karen Sciberras. The girls are required to move from branch to branch, quite often at short notice and their efforts are greatly appreciated.

I would also like to thank the Board of Directors for their support over the past 12 months.



Paul Jones
Branch Manager

Tooradin & Coastal Villages Manager's report

For year ending 30 June 2011

Tooradin & Coastal Villages branch has now been operating for just over two years and once again we have received strong customer support from individuals, businesses and community groups.

This year we saw the overall business size grow by 27.4% which was a positive result. We achieved growth of 20.7% in deposits and loan growth of 43.8%. Customer numbers increased 25.5% to 792 . Accounts held grew to 1,191 and we also recorded an increase in products per customer to 2.001.

During the last year we had Lorna join our staff and she brought with her a wealth of knowledge and experience gained after having worked for Bendigo and Adelaide Bank Ltd for more than ten years. I would like to acknowledge the performance of all the Tooradin team members Carol, Lorna, Belinda and Rhonda and I thank them for their contribution to the branch performance over the last twelve months.

The coming year will provide us with some challenges that we are well placed to meet after the great work that Darryl Sutcliffe was done in the Tooradin and Coastal Villages communities.

I would like to thank the shareholders, customers and community groups that have supported us and the Directors of Community Financial Services Victoria Limited for their ongoing support of the Tooradin & Coastal Villages branch.



Shane Harris
Customer Relationship Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

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

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank Ltd report continued

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

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

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

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

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



Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Michael John Duff

Chairman

Age: 47

Occupation: Owner Operator/Company Director

Experience and expertise:

- Past KooWeeRup CFA Captain

Special responsibilities:

- Chairman of the Board

Interests in shares: 30,000 Ordinary Shares

Gordon Douglas Smale

Vice Chairman

Age: 46

Occupation: Manufacturing Manager

Experience and expertise:

- Manager of engineering company
- President Pearcedale Recreation Reserve

Special responsibilities:

- Business Growth Sub Committee
- Finance & Budget Sub Committee
- Youth Action Group Sub Committee

Interests in shares: Nil Ordinary Shares

Tania Lyn Hansen

Executive Officer

Age: 41

Occupation: Executive Officer/Company Secretary

Experience and expertise:

- GAICD
- Former Secretary of Lang Lang Town Committee

Special responsibilities:

- All Sub Committees

Interests in shares: 500 Ordinary Shares

Maxwell William Papley

Director

Age: 71

Occupation: Retail Rural Merchandise Proprietor

Experience and expertise:

- Inaugural Chairman CFSV Ltd

Special responsibilities:

- Business Growth Sub Committee
- Youth Action Group Sub Committee

Interests in shares: 30,250 Ordinary Shares

Douglas Hugh Hamilton

Director

Age: 74

Occupation: Grazier

Experience and expertise:

- Former Councillor Cardinia Shire
- Inaugural Vice Chairman CFSV Ltd

Special responsibilities:

- Audit, Governance & Shareholder Liaison Sub Committee
- Human Resources Sub Committee

Interests in shares: 8,600 Ordinary Shares

Maxwell Arthur John Kneebone

Director

Age: 74

Occupation: Grazier

Experience and expertise:

- Member of Rotary Club

Special responsibilities:

- Asset Management Sub Committee
- Business Growth Sub Committee

Interests in shares: 52,500 Ordinary Shares

Directors' report continued

Directors (continued)

Glenister Malcolm McGregor

Director

Age: 70

Occupation: Semi Retired Grazier

Experience and expertise:

- Former Chairman of Lang Lang Town Committee
- Chairman Lang Lang Community Medical Centre

Special responsibilities:

- Audit, Governance & Shareholder Liaison Sub Committee

Interests in shares: 56,000 Ordinary Shares

John Munro Lyle

Director

Age: 60

Occupation: Self Employed Retail Proprietor

Experience and expertise:

- Finance and Banking Background

Special responsibilities:

- Finance & Budget Sub Committee
- Business Growth Sub Committee

Interests in shares: 15,850 Ordinary Shares

Ronald James Witney

Director

Age: 52

Occupation: Pharmacist

Experience and expertise:

- 16 years Pharmacist in Pearcedale

Special responsibilities:

- Finance & Budget Sub Committee

Interests in shares: 17,200 Ordinary Shares

Meint Peter (Rudy) de Jong

Director

Age: 64

Occupation: Company Director

Experience and expertise:

- Extensive business background
- Past President Rotary Club of Koo Wee Rup/Lang Lang

Special responsibilities:

- Asset Management Sub Committee
- Youth Action Group Sub Committee

Interests in shares: 3,675 ordinary Shares

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Tania Hansen. Tania was appointed to the position of Secretary on 16 September 2003. She holds a Bachelor Degree in Linguists and a Bachelor Degree in Behavioural Science. Previously Tania held the position of Treasurer and has a history in the banking sector. She has gained experience whilst involved at committee level on several local community committees. During 2010 Tania completed the Australian Institute of Company Directors (AICD) Company Directors Course. The course covers all aspects of a Director's role within the Australian context.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Directors' report continued

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

| | Year ended 30 June 2011 \$ | Year ended 30 June 2010 \$ |
|--|----------------------------------|----------------------------------|
| | 199,121 | 286,126 |

Remuneration Report

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Managers and all the staff. Bendigo and Adelaide Bank Limited is responsible for the determination of remuneration packages and policies applicable to seconded Branch Managers and all seconded staff.

The Branch Managers do not participate in decision making that affects the whole or a substantial part of the business, nor do they have the capacity to affect significantly the Company's financial standing. On a rotational basis and by invitation, the Branch Managers attend Board meetings to provide Directors with an overview of their Branch's performance.

Michael Duff received no payment for services performed as Non Executive Chairman. Michael received \$2,000 for Director remuneration.

During the 2011 financial year the Board continued to pay Tania Hansen \$45,000 (plus 9% SGC) for services performed in a role as 'Executive Officer', including, but not limited to, community and public relations, corporate affairs administration, accounts liaison and other Company Secretarial duties. During the 2011 financial year Tania was paid \$44,649 (2010: \$44,649) which included \$2,000 for Director Remuneration and use of a company car.

Directors Fees

For the year ended 30 June 2011, the directors received total remuneration, as follows:

| | \$ |
|------------------------------|-------|
| Michael John Duff | 2,000 |
| Gordon Douglas Smale | 2,000 |
| Tania Lyn Hansen | 2,000 |
| Maxwell William Papley | 2,000 |
| Douglas Hugh Hamilton | 2,000 |
| Maxwell Arthur John Kneebone | 2,000 |
| Glenister Malcolm McGregor | 2,000 |
| John Munro Lyle | 2,000 |
| Ronald James Witney | 2,000 |
| Meint Peter (Rudy) de Jong | 2,000 |

Directors' report continued

| Dividends | Year Ended 30 June 2011 | |
|---|--------------------------------|-----------|
| | Cents | \$ |
| Final dividends recommended: | 26.50 | 194,079 |
| Dividends paid in the year: | | |
| - As recommended in the prior year report | 17.50 | 128,166 |

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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.

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' report continued

Directors Meetings

The number of directors meetings attended by each of the directors of the company during the year were:

| | Board Meetings Attended | | Committee Meetings Attended | | | | | | | | | |
|------------------------------|-------------------------|---|-----------------------------|---|-----------------|---|-----------------|---|-------|---|------------------|---|
| | | | Audit | | Business Growth | | Human Resources | | Asset | | Finance & Budget | |
| | A | B | A | B | A | B | A | B | A | B | A | B |
| Michael John Duff | 9 | 7 | 1 | - | 3 | 2 | 1 | 1 | 1 | 1 | 2 | 0 |
| Gordon Douglas Smale | 9 | 7 | - | - | 3 | 3 | 1 | 1 | - | - | 2 | 2 |
| Tania Lyn Hansen | 9 | 9 | 1 | 1 | 3 | 3 | 1 | 1 | 1 | 1 | 2 | 2 |
| Maxwell William Papley | 9 | 9 | - | - | 3 | 3 | - | - | - | - | - | - |
| Douglas Hugh Hamilton | 9 | 8 | 1 | 1 | - | - | 1 | - | - | - | - | - |
| Maxwell Arthur John Kneebone | 9 | 5 | - | - | 2 | 1 | - | - | 1 | 1 | - | - |
| Glenister Malcolm McGregor | 9 | 9 | 1 | 1 | - | - | - | - | - | - | - | - |
| John Munro Lyle | 9 | 8 | - | - | 1 | 1 | - | - | - | - | 2 | 1 |
| Ronald James Witney | 9 | 6 | - | - | - | - | - | - | - | - | 2 | 1 |
| Meint Peter (Rudy) de Jong | 9 | 6 | - | - | - | - | - | - | 1 | 1 | - | - |

A - Eligible to attend

B - Number attended

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Directors' report continued

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed in accordance with a resolution of the board of directors at Lang Lang on 6 September 2011.

A handwritten signature in black ink, appearing to be 'MJD', written in a cursive style.

Michael John Duff, Chairman

Auditor's independence declaration



Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Community Financial Services Victoria Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Graeme Stewart'.

GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

6th September 2011

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|--|------|----------------|----------------|
| Revenues from ordinary activities | 4 | 3,341,709 | 3,035,327 |
| Employee benefits expense | | (1,447,608) | (1,369,200) |
| Charitable donations, sponsorship, advertising and promotion | | (718,044) | (393,120) |
| Occupancy and associated costs | | (251,834) | (239,057) |
| Systems costs | | (137,194) | (130,917) |
| Depreciation and amortisation expense | 5 | (121,828) | (108,945) |
| General administration expenses | | (366,319) | (376,461) |
| Profit before income tax expense | | 298,882 | 417,627 |
| Income tax expense | 6 | (99,761) | (131,501) |
| Profit after income tax expense | | 199,121 | 286,126 |
| Total comprehensive income for the year | | 199,121 | 286,126 |
| Earnings per share (cents per share) | | c | c |
| - basic for profit for the year | 22 | 27.19 | 39.07 |

The accompanying notes form part of these financial statements.

Financial statements continued

Balance Sheet as at 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|--------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 456,458 | 434,504 |
| Trade and other receivables | 8 | 248,098 | 292,751 |
| Current tax asset | 12 | 14,656 | 990 |
| Total Current Assets | | 719,212 | 728,245 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 498,773 | 453,102 |
| Financial assets | 10 | 50,000 | 50,000 |
| Intangible assets | 11 | 428,555 | 323,360 |
| Deferred tax assets | 12 | 31,368 | 26,814 |
| Total Non-Current Assets | | 1,008,696 | 853,276 |
| Total Assets | | 1,727,908 | 1,581,521 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 13 | 254,521 | 190,656 |
| Provisions | 14 | 96,424 | 76,989 |
| Total Current Liabilities | | 350,945 | 267,645 |
| Non-Current Liabilities | | | |
| Provisions | 14 | 19,549 | 27,417 |
| Total Non-Current Liabilities | | 19,549 | 27,417 |
| Total Liabilities | | 370,494 | 295,062 |
| Net Assets | | 1,357,414 | 1,286,459 |
| Equity | | | |
| Issued capital | 15 | 607,871 | 607,871 |
| Retained earnings | 16 | 749,543 | 678,588 |
| Total Equity | | 1,357,414 | 1,286,459 |

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 Equity \$ |
|--|-------------------------|----------------------------|-----------------------|
| Balance at 1 July 2009 | 607,871 | 520,628 | 1,128,499 |
| Total comprehensive income for the year | - | 286,126 | 286,126 |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (128,166) | (128,166) |
| Balance at 30 June 2010 | 607,871 | 678,588 | 1,286,459 |
| Balance at 1 July 2010 | 607,871 | 678,588 | 1,286,459 |
| Total comprehensive income for the year | - | 199,121 | 199,121 |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (128,166) | (128,166) |
| Balance at 30 June 2011 | 607,871 | 749,543 | 1,357,414 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Cashflows for the Year Ended 30 June 2011

| | Note | 2011 \$ | 2010 \$ |
|--|-----------|------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from customers | | 3,662,547 | 3,324,029 |
| Payments to suppliers and employees | | (3,169,775) | (2,731,243) |
| Interest received | | 23,023 | 9,093 |
| Income taxes paid | | (117,981) | (216,020) |
| Net cash provided by operating activities | 17 | 397,814 | 385,859 |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | (133,847) | (47,479) |
| Payments for intangible assets | | (138,847) | - |
| Payments for share application | | - | (75,000) |
| Refund from share application | | 25,000 | - |
| Net cash used in investing activities | | (247,694) | (122,479) |
| Cash Flows From Financing Activities | | | |
| Dividends paid | | (128,166) | (128,166) |
| Net cash used in financing activities | | (128,166) | (128,166) |
| Net increase in cash held | | 21,954 | 135,214 |
| Cash and cash equivalents at the beginning of the financial year | | 434,504 | 299,290 |
| Cash and cash equivalents at the end of the financial year 7(a) | | 456,458 | 434,504 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements contain a single statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Lang Lang, Narre Warren South, Pearcedale, Koo Wee Rup and Tooradin in the state of Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|--------------------------|----------------|
| - leasehold improvements | 40 years |
| - plant and equipment | 2.5 - 40 years |
| - furniture and fittings | 4 - 40 years |

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

m) Provisions

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

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

n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

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

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Notes to the financial statements continued

Note 2. Financial Risk Management (continued)

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

- (i) the distribution limit is the greater of:
 - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

| | 2011 \$ | 2010 \$ |
|--|------------------|------------------|
| Note 4. Revenue from Ordinary Activities | | |
| Operating activities: | | |
| - services commissions | 3,315,226 | 3,024,537 |
| - other revenue | 3,301 | - |
| Total revenue from operating activities | 3,318,527 | 3,024,537 |
| Non-operating activities: | | |
| - interest received | 23,182 | 10,790 |
| Total revenue from non-operating activities | 23,182 | 10,790 |
| Total revenues from ordinary activities | 3,341,709 | 3,035,327 |

Notes to the financial statements continued

| | Note | 2011 \$ | 2010 \$ |
|---|------|----------------|----------------|
| Note 5. Expenses | | | |
| Depreciation of non-current assets: | | | |
| - improvements, plant and equipment | | 61,909 | 69,079 |
| - motor vehicles | | 26,267 | 7,866 |
| Amortisation of non-current assets: | | | |
| - franchise fee and franchise renewal fee | | 33,652 | 32,000 |
| | | 121,828 | 108,945 |
| Bad debts | | 3,319 | 5,096 |

Note 6. Income Tax Expense

The components of tax expense comprise:

| | | | |
|---|--|---------------|----------------|
| - Current tax | | 104,313 | 133,880 |
| - Movement in deferred tax | | (4,552) | 350 |
| - Over provision of tax in the prior period | | - | (2,729) |
| | | 99,761 | 131,501 |

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

| | | | |
|---|----|----------------|----------------|
| Operating profit | | 298,882 | 417,627 |
| Prima facie tax on profit from ordinary activities at 30% | | 89,665 | 125,288 |
| Add tax effect of: | | | |
| - non-deductible expenses | | 10,096 | 9,600 |
| - timing difference expenses | | 4,553 | (350) |
| - other deductible expenses | | - | (658) |
| | | 104,314 | 133,880 |
| Movement in deferred tax | 12 | (4,553) | 350 |
| Over provision of income tax in the prior year | | - | (2,729) |
| | | 99,761 | 131,501 |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|--|----------------|----------------|
| Note 7. Cash and Cash Equivalents | | |
| Cash at bank and on hand | 136,340 | 134,647 |
| Term deposits | 320,118 | 299,857 |
| | 456,458 | 434,504 |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

| | | |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | 136,340 | 134,647 |
| Term deposits | 320,118 | 299,857 |
| | 456,458 | 434,504 |

Note 8. Trade and Other Receivables

| | | |
|--------------------------------|----------------|----------------|
| Trade receivables | 231,456 | 244,172 |
| Other receivables and accruals | - | 25,000 |
| Prepayments | 16,642 | 23,579 |
| | 248,098 | 292,751 |

Note 9. Property, Plant and Equipment

Improvements, plant and equipment

| | | |
|-------------------------------|----------------|----------------|
| At cost | 731,136 | 693,221 |
| Less accumulated depreciation | (325,625) | (263,716) |
| | 405,511 | 429,505 |

Motor Vehicles

| | | |
|----------------------------------|----------------|----------------|
| At cost | 129,684 | 33,751 |
| Less accumulated depreciation | (36,422) | (10,154) |
| | 93,262 | 23,597 |
| Total written down amount | 498,773 | 453,102 |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|---|----------------|----------------|
| Note 9. Property, Plant and Equipment (continued) | | |
| Movements in carrying amounts: | | |
| Plant and equipment | | |
| Carrying amount at beginning | 429,505 | 452,260 |
| Additions | 37,915 | 47,479 |
| Disposals | - | (1,154) |
| Less: depreciation expense | (61,909) | (69,080) |
| Carrying amount at end | 405,511 | 429,505 |
| Motor Vehicles | | |
| Carrying amount at beginning | 23,597 | 31,462 |
| Additions | 95,932 | - |
| Disposals | - | - |
| Less: depreciation expense | (26,267) | (7,865) |
| Carrying amount at end | 93,262 | 23,597 |
| Total written down amount | 498,773 | 453,102 |

Note 10. Financial Assets

Available-for-sale financial assets

| | | |
|--|---------------|---------------|
| Unlisted investments at cost | | |
| Mt Eliza Community Enterprise Limited | 50,000 | 50,000 |

Note 11. Intangible Assets

Franchise fee

| | | |
|--------------------------------|---------------|---------------|
| At cost | 133,140 | 110,000 |
| Less: accumulated amortisation | (95,204) | (85,480) |
| | 37,936 | 24,520 |

Establishment/Renewal processing fee

| | | |
|--------------------------------|----------------|---------------|
| At cost | 225,706 | 110,000 |
| Less: accumulated amortisation | (53,595) | (29,668) |
| | 172,111 | 80,332 |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|--|----------------|----------------|
| Note 11. Intangible Assets (continued) | | |
| Goodwill | | |
| At cost | 218,508 | 218,508 |
| Total written down amount | 428,555 | 323,360 |

Note 12. Tax

Current:

| | | |
|------------------------------|---------------|--------------|
| Income tax refundable | 14,656 | (990) |
|------------------------------|---------------|--------------|

Non-Current:

Deferred tax assets

| | | |
|-----------------------|---------------|---------------|
| - employee provisions | 34,792 | 31,322 |
| | 34,792 | 31,322 |

Deferred tax liability

| | | |
|--------------------------|--------------|--------------|
| - accruals | 1,512 | 1,466 |
| - deductible prepayments | 1,912 | 3,042 |
| | 3,424 | 4,508 |

| | | |
|-------------------------------|---------------|---------------|
| Net deferred tax asset | 31,368 | 26,814 |
|-------------------------------|---------------|---------------|

| | | |
|--|----------------|------------|
| Movement in deferred tax charged to statement of comprehensive income | (4,553) | 350 |
|--|----------------|------------|

Note 13. Trade and Other Payables

| | | |
|------------------------------|----------------|----------------|
| Trade creditors | 248,913 | 131,616 |
| Other creditors and accruals | 5,608 | 59,040 |
| | 254,521 | 190,656 |

Note 14. Provisions

Current:

| | | |
|----------------------------|---------------|---------------|
| Provision for annual leave | 59,003 | 51,101 |
| Provision for LSL | 37,421 | 25,888 |
| | 96,424 | 76,989 |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|---|---------------|---------------|
| Note 14. Provisions (continued) | | |
| Non-Current: | | |
| Provision for long service leave | 19,549 | 27,417 |
| Number of employees at year end | 17 | 17 |

Note 15. Contributed Equity

| | | |
|--|----------------|----------------|
| 732,375 Ordinary shares fully paid (2010: 732,375) | 732,375 | 732,375 |
| Less: equity raising expenses | (124,504) | (124,504) |
| | 607,871 | 607,871 |

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Notes to the financial statements continued

Note 15. Contributed Equity (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 209. As at the date of this report, the company had 229 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member’s associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the ‘base number test’ is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|--|----------------|----------------|
| Note 16. Retained Earnings | | |
| Balance at the beginning of the financial year | 678,588 | 520,628 |
| Net profit from ordinary activities after income tax | 199,121 | 286,126 |
| Dividends paid or provided for | (128,166) | (128,166) |
| Balance at the end of the financial year | 749,543 | 678,588 |

Note 17. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

| | | |
|---|----------------|----------------|
| Profit from ordinary activities after income tax | 199,121 | 286,126 |
| Non cash items: | | |
| - depreciation | 88,176 | 76,945 |
| - amortisation | 33,652 | 32,000 |
| - loss on disposal of non-current assets | - | 1,154 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | 19,653 | (6,737) |
| - (increase)/decrease in current tax assets | (13,666) | (990) |
| - (increase)/decrease in deferred tax assets | (4,554) | 350 |
| - increase/(decrease) in payables | 63,865 | 83,820 |
| -increase/(decrease) in provisions | 11,567 | (2,929) |
| -increase/(decrease) in current tax liabilities | - | (83,880) |
| Net cashflows provided by operating activities | 397,814 | 385,859 |

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|---|----------------|----------------|
| Note 18. Leases | | |
| Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments | | |
| - not later than 12 months | 172,023 | 141,962 |
| - between 12 months and 5 years | 461,257 | 236,150 |
| - greater than 5 years | - | - |
| | 633,280 | 378,112 |

The company holds various premises leases for each of the branch locations. The leases generally have a five-year term, with options for additional five year terms. Rent is payable on a monthly basis.

Note 19. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

| | | |
|-----------------------------|--------------|--------------|
| - audit and review services | 5,800 | 4,500 |
| - share registry services | 2,194 | 2,422 |
| - non audit services | 1,610 | 1,610 |
| | 9,604 | 8,532 |

Note 20. Director and Related Party Disclosures

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

Michael John Duff
Gordon Douglas Smale
Tania Lyn Hansen
Maxwell William Papley
Douglas Hugh Hamilton
Maxwell Arthur John Kneebone
Glenister Malcolm McGregor
John Munro Lyle
Ronald James Witney
Meint Peter (Rudy) de Jong

Notes to the financial statements continued

Note 20. Director and Related Party Disclosures (continued)

Except for Max Kneebone, no director or related entity has entered into a material contract with the company. Directors' fees have been paid as disclosed in the Directors' report.

During the 2011 financial year Community Financial Services Victoria Limited made payments of \$72,424.51 (2010: \$77,250.63) to Maxwell Kneebone for rental of the branch premises at Lang Lang and Koo Wee Rup. The terms and conditions of the rental arrangements are on a commercial basis.

During the normal course of business operations, Community Financial Services Victoria Limited utilised services offered by local community businesses. Some of these transactions included businesses which some Directors have direct or indirect interest. These transactions are considered to be made at an arms length basis and are on normal commercial terms.

During the 2011 financial year Community Financial Services Victoria Limited made payments to Larmax Trading of \$3,007.69 (2010: \$660.43). Director Max Papley is the owner of Larmax Trading. The purchase was made on normal commercial terms.

During the 2011 financial year Community Financial Services Victoria Limited made payments to John Duff & Co of \$5,055.37 (2010: \$3,997.17) for the purchase of a motor vehicle fuel. Director Michael Duff is the owner of John Duff & Co. The purchases were made on normal commercial terms.

During the 2011 financial year Community Financial Services Victoria Limited made payments to Pearcedale Village Supermarket of \$401.63 (2010: \$827.60) for the purchase of a minor supplies during the year. Director John Lyle is the owner of Pearcedale Village Supermarket. The purchases were made on normal commercial terms.

During the 2011 financial year Community Financial Services Victoria Limited made a payment of \$5,000 to Maxwell Kneebone for his role as Project Manager of the fit out of the ATM and office refurbishment at Koo Wee Rup branch.

| Directors Shareholdings | 2011 | 2010 |
|--------------------------------|-------------|-------------|
| Michael John Duff | 30,000 | 30,000 |
| Gordon Douglas Smale | - | - |
| Tania Lyn Hansen | 500 | 500 |
| Maxwell William Papley | 30,250 | 30,250 |
| Douglas Hugh Hamilton | 8,600 | 8,600 |
| Maxwell Arthur John Kneebone | 52,500 | 52,500 |
| Glenister Malcolm McGregor | 56,000 | 56,000 |
| John Munro Lyle | 15,850 | 15,850 |
| Ronald James Witney | 17,200 | 17,200 |
| Meint Peter (Rudy) de Jong | 3,675 | 3,675 |

There was no movement in directors shareholdings during the year.

Notes to the financial statements continued

| | 2011 \$ | 2010 \$ |
|---|----------------|----------------|
| Note 21. Dividends paid or Provided | | |
| a. Dividends paid during the year | | |
| 100% (2009: 100%) franked dividend for the year ended 30 June 2010 of 17.5 cents (2009: 17.5 cents) per fully paid share paid on 10 December 2010 (2009: 12 December 2009) | 128,166 | 128,166 |
| b. Dividends proposed and not recognised as a liability | | |
| Current year final dividend | | |
| 100% (2010: 100%) franked dividend - 26.5 cents (2010: 17.5 cents) per share | 194,079 | 128,166 |
| The tax rate at which dividends have been franked is 30% (2010: 30%). | | |
| Dividends proposed will be franked at a rate of 30% (2010: 30%). | | |
| c. Franking account balance | | |
| Franking credits available for subsequent reporting periods are: | | |
| - franking account balance as at the end of the financial year | 429,326 | 366,725 |
| - franking debits that will arise from income tax refundable as at the end of the financial year | (14,656) | (990) |
| - franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year | - | - |
| Franking credits available for future financial reporting periods: | 414,670 | 365,735 |
| - franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period | (83,177) | (54,928) |
| Net franking credits available | 331,493 | 310,807 |

Note 22. Earnings Per Share

| | | |
|---|---------------|---------------|
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 199,121 | 286,126 |
| | Number | Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 732,375 | 732,375 |

Notes to the financial statements continued

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Note 25. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

| | |
|---------------------|-----------------------------|
| Registered Office | Principal Place of Business |
| 29 Westernport Road | 29 Westernport Road |
| Lang Lang VIC 3984 | Lang Lang VIC 3984 |

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited. The economic entity operates in one geographic area being Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South and Tooradin.

| | Total Revenue | | Profit from ordinary activities after income tax | | Net Assets | |
|--------------------|------------------|------------------|--|----------------|------------------|------------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010# \$ | 2011 \$ | 2010# \$ |
| Lang Lang | 789,973 | 742,523 | 70,443 | 121,648 | 317,382 | 335,551 |
| Pearcedale | 866,082 | 790,941 | 111,500 | 194,214 | 220,294 | 227,508 |
| Koo Wee Rup | 711,767 | 624,426 | 65,385 | 127,388 | 142,713 | 70,124 |
| Narre Warren South | 714,429 | 688,869 | 102,174 | 52,296 | 196,449 | 145,006 |
| Tooradin | 259,458 | 188,569 | (150,381) | (209,420) | 124,551 | 165,880 |
| Unallocated | - | - | - | - | 356,025 | 342,390 |
| Total | 3,341,709 | 3,035,328 | 199,121 | 286,126 | 1,357,414 | 1,286,459 |

The 2010 comparative figures have been restated to correct a \$150,000 contribution to the Community Enterprise Foundation that was allocated directly against the Lang Lang branch in the original 2010 financial report.

Notes to the financial statements continued

Note 27. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

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

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

| Financial instrument | Floating interest rate | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average effective interest rate | | |
|------------------------------|------------------------|---------|---------------------------------|---------|-------------------|------|--------------|------|----------------------|---------|--|------|-----|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % | |
| Financial Assets | | | | | | | | | | | | | |
| Cash and cash equivalents | 136,340 | 134,647 | 320,118 | 299,857 | - | - | - | - | - | - | 3.74 | 2.31 | |
| Receivables | - | - | - | - | - | - | - | - | - | 248,098 | 292,751 | N/A | N/A |
| Financial Liabilities | | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | - | 254,521 | 190,656 | N/A | N/A |

Directors' declaration

In accordance with a resolution of the directors of Community Financial Services Victoria Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Michael John Duff, Chairman

Signed on the 6th of September 2011.

Independent audit report



Independent Auditor's Report To The Members Of Community Financial Services Victoria Limited

Report on the Financial Report

We have audited the accompanying financial report of Community Financial Services Victoria Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

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Independent audit report continued

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Community Financial Services Victoria Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Community Financial Services Victoria Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

6th September 2011

BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 15 September 2011.

1. Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board has compiled policies and procedures that will govern our Company into the future. We believe that building policy framework will assist clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

2. Substantial shareholders – ten largest shareholders

The following table shows the 10 largest shareholders:

| Shareholder | Number of shares | Percentage of capital |
|-------------------------------------|------------------|-----------------------|
| 1. McGregor Sands Pty Ltd | 45,000 | 6.14 |
| 2. Sea Leaf Products Pty Ltd | 44,000 | 6.01 |
| 3. M & L Duff Pty Ltd | 30,000 | 4.10 |
| 4. Garfield Super Fund | 25,000 | 3.41 |
| 5. Seventy Second Colro Pty Ltd | 25,000 | 3.41 |
| 6. Westernport Roadlines Super Fund | 21,000 | 2.87 |
| 7. Lyle Staff Super Fund | 15,850 | 2.16 |
| 8. Pauley Super Fund | 11,235 | 1.53 |
| 9. Witney Super Fund | 11,200 | 1.53 |
| 10. Carolyn Joan Beilharz | 10,500 | 1.43 |
| | 238,785 | 32.59 |

3. Voting rights

Each shareholder is entitled to 1 vote, irrespective of the number of shares held. There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

BSX report continued

4. Distribution of shareholders

The following table shows the number of shareholders, broken into various categories showing the total number of shares held:

| Number of shares held | Number of shareholders |
|---------------------------|------------------------|
| 1 to 1,000 | 93 |
| 1,001 to 5,000 | 89 |
| 5,001 to 10,000 | 36 |
| 10,001 to 100,000 | 11 |
| 100,001 and over | -- |
| Total shareholders | 229 |

There are 15 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$0.83. There are no unquoted equity securities.

5. Monitoring of the Board's performance and communication to shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board and Directors aim to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

The Board does have an Audit and Governance Committee.

6. Address and telephone number of the office which the securities register (share registry) is kept:

AFS & Associates Pty Ltd
61-65 Bull Street,
Bendigo VIC 3550

PO Box 454,
Bendigo VIC 3552

Phone: (03) 5443 0344

Fax: (03) 5443 5304

Email: afs@afsbendigo.com.au

7. Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.



Lang Lang **Community Bank**[®] Branch
 29 Westernport Road, Lang Lang VIC 3984
 Phone: (03) 5997 5019 Fax: (03) 5997 5024

Pearcedale **Community Bank**[®] Branch
 Shop 4, Pearcedale Village Shopping Centre,
 Baxter-Tooradin Road, Pearcedale VIC 3912
 Phone: (03) 5978 7566 Fax: (03) 5978 7572

Koo Wee Rup branch
 28 Station Street, Koo Wee Rup VIC 3981
 Phone: (03) 5997 2266 Fax: (03) 5997 2299

Narre Warren South branch
 Shop 8, Amberly Park Shopping Centre,
 101 Seebeck Drive, Narre Warren South VIC 3805
 Phone: (03) 8790 3411 Fax: (03) 8790 2532

Tooradin & Coastal Villages branch
 Shop 2, 106 South Gippsland Highway, Tooradin VIC 3980
 Phone: (03) 5998 3038 Fax: (03) 5998 3256

Franchisee: Community Financial Services Victoria Limited
 29 Westernport Road, Lang Lang VIC 3984
 ABN: 51 092 756 351

www.bendigobank.com.au
 Bendigo and Adelaide Bank Limited,
 The Bendigo Centre, Bendigo VIC 3550
 ABN 11 068 049 178. AFSL 237879.
 (BMPAR11001) (06/11)