

Lang Lang and Pearcedale **Community Bank**<sup>®</sup> branches  
Koo Wee Rup, Narre Warren South and Tooradin & Coastal Villages branches



# annual report **2012**

Community Financial  
Services Victoria Limited

ABN 51 092 756 351

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# Chairman's report

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For year ending 30 June 2012

I am very pleased to report to shareholders and customers on behalf of the Board another strong year for our company during 2011/12. This result has been achieved despite increased competition in the financial services sector, continued global financial turmoil, a suppressed domestic confidence and expected slower economic growth. To establish this financial result across what has been a very challenging period is certainly pleasing for all associated with Community Financial Services Victoria Ltd. We thank our business partner Bendigo and Adelaide Bank for their continued support and guidance throughout the year with all aspects of our business.

A small net increase in profit (excluding income tax, grants sponsorships and donations) is a decent achievement. An achievement that will see our communities once again benefit from this strong position through our community grants program. Nationally, **Community Bank**<sup>®</sup> branches have over the last 14 years contributed \$80 million to local community groups. Our company has provided well in excess of \$1 million to our local community groups and organisations; a wonderful achievement.

As in any successful organisation operated under a Board structure, a committed motivated group of people are required to maintain direction and create success; our Board structure is no exception. Since the last Chairman's report our Board has experienced some personnel changes. On behalf of all shareholders, customers and Board members I would like to thank our three retiring Directors Mr John Lyle, Mr Ron Witney and Mr Rudy de Jong for their years of commitment to Community Financial Services Victoria Ltd and our **Community Bank**<sup>®</sup> branches. Our company's strong results are reflected in the performance of these Directors over the journey to date. We have welcomed Di Loft to the Board this year and we wish her well and thank her for accepting a Directorship with our company.

This past year we have undertaken several new community support initiatives, namely Defib Your Club For Life, OzChild, Scholarship Program and GreenLight Youth Driver Education. Our Board are proud to be a part of these rewarding community programs.

Once again I would like to convey our thanks to the hard working front line staff of our **Community Bank**<sup>®</sup> branches, well lead by our dedicated team of Branch Managers. To our business partner, Bendigo and Adelaide Bank, thank you and we look forward to further success in the future. To our shareholders, thank you for your continued enthusiastic support. Your committed hardworking Board are always mindful of the faith our shareholders have shown. To Tania Hansen our diligent CEO, another outstanding years work, a pillar of strength to the Board and the Chairman, we thank Tania for her continued commitment.

I look forward to 2012/13 and the opportunities and challenges this may bring.



**Michael Duff**  
Chairman

# Lang Lang Manager's report

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For year ending 30 June 2012

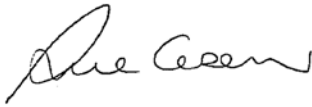
Lang Lang **Community Bank**<sup>®</sup> Branch has seen strong growth during 2011/12 in both lending and deposits. This was an outstanding result. I would like to thank the many individuals and groups within Lang Lang and the surrounding areas for the support and trust they have given to me.

I thank my team, Pam, Jacquie and Melissa. And we have recently welcomed on board our newest team member, Cody. 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 my aim is for the continued growth of our business, in particular increasing our customer numbers which should be achievable 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 the 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**<sup>®</sup> Branch possible.



**Sue Carson**  
**Branch Manager**

# Pearcedale Manager's report

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For year ending 30 June 2012

Pearcedale **Community Bank**<sup>®</sup> Branch total balances continued to grow modestly overall (4%) in the 2011/12 financial year in very tight economic conditions and against strong competition from both major bank and second tier financial institutions. Solid growth in Net income (17%) was also achieved in line with a team focus on cost management.

Customer numbers remained steady at 2,727 during the 2011/12 year. Growth in customer numbers is now targeted, supported by my continued and active community engagement and that of the broader branch team.

We are committed to further business growth in the current financial year across the lending (7%) and deposit (7%) business. An increased focus on financial planning and insurance products consultancies is planned which will assist the Pearcedale team in providing relevant and appropriate products to our customers, whilst continuing to achieve a positive improvement in business profitability.

I am proud to have guided the experienced Pearcedale **Community Bank**<sup>®</sup> Branch team of Vivienne, Melanie, Jaimie, Diane and Keryn in the 2011/12 financial year. The branch team remained consistent during the year which assisted in our objective of building a better understanding of our customers and community. We were pleased to have School Based Trainee Jenny as part of our team (1 day per week for 12 months) with her strong development in the Customer Service Officer role seen. Her traineeship role concluded at the end of January 2012 at which time she returned to school finish her final VCE year.

Thanks also to CFSV Ltd Executive Officer Tania Hansen for the proactive way in which her support, on behalf of the Board, has been provided to the Pearcedale **Community Bank**<sup>®</sup> Branch team over the past 12 months.



**Branch Manager**

# Koo Wee Rup Manager's report

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For year ending 30 June 2012

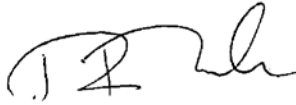
The Koo Wee Rup branch has been operating for over eight years with continued strong growth during the 2011/12 financial year.

The branch has seen solid growth in our business with deposits growing by 20% and lending growing by 6% during this financial year. Our branch now has 1,467 customers (5% increase) with the number of accounts held increasing by 6% to 2,421.

Koo Wee Rup branch welcomed two new staff members during the year, Christine and Jack. Amanda commenced maternity leave during the year and has since welcomed her first child, Charlie, into the world. I acknowledge the commitment and professionalism of all my staff at Koo Wee Rup branch, Kay, Julie, Amanda, Christine and Jack.

During the coming financial year our branch is aiming to increase our business growth by 10%. This is achievable given the expected growth of the Koo Wee Rup township along with the support our branch receives from the local community groups, clubs and schools who benefit from the **Community Bank**<sup>®</sup> concept.

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 this support 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

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For year ending 30 June 2012

Narre Warren South branch has now been operating for over eight years and the continued steady growth of our business has been very pleasing, with total business now in excess of \$80 million in loans and deposits.

We finished the year strongly, with our overall business growth being approximately 9%. We were able to open a total of 677 new accounts over the course of the year.

It has been very satisfying to see that the local community groups have been listening to our story and are supporting us with their business. We have recently approved community grants/sponsorships to 11 groups in the Narre Warren South, which is more than double the number in the previous year.

I would like to thank all of my staff, Ali, Pauline, Jacky, Julie and Ashlee, for their hard work and commitment to making sure our customers are fully satisfied with the service they receive from our branch. It is also pleasing to note that our School Based Trainee, Jack Keen, successfully completed his 12 months with our branch and was then able to obtain a position at the Koo Wee Rup branch.

I would also like to acknowledge the work done by our relief staff, Angie, Laura and Karen. We have had a testing year with a number of long absences at our branches and the relief staff have often had to work extra days at short notice to fill the gaps.

I would also like to thank the Board of Directors for their support over the past 12 months. I would also like to acknowledge the support and guidance that we receive from our Regional Manager Rob Francis and his team at the State Support Offices in Warragul and Boronia.



**Paul Jones**  
**Branch Manager**

# Tooradin and Coastal Villages Manager's report

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For year ending 30 June 2012

Tooradin and Coastal Villages branch has now been operating for just over three years and I am pleased to report that we have continued to receive strong support from our customers and community.

Despite the challenging economic conditions that we experienced in 2011/12 we were still able to grow our overall business by 19.84%. We achieved 18% growth in deposits and growth of 24.6% in loans. Customer numbers increased to 884 and we now have 1,383 accounts.

Our Tooradin branch team remained stable for the year. I would like to thank Carol, Lorna, Rhonda and Belinda for the support they have shown me and their continued effort to make Tooradin branch a success by providing a high level of service to our customers.

I am looking forward to the coming year in my new role as Branch Manager. I know the new year will bring many challenges but it will also bring many opportunities to grow our business by strengthening our connections with our customers, community groups and businesses.

I would like to thank the shareholders, customers and community groups that have supported us and the Directors of Community Financial Services Victoria Ltd for their on going support that will enable us to provide more support to our Tooradin and Coastal Villages communities.



**Shane Harris**  
**Branch Manager**



# Bendigo and Adelaide Bank report

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For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank**<sup>®</sup> network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**<sup>®</sup> model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**<sup>®</sup> model has become so much more.

In the past financial year a further 20 **Community Bank**<sup>®</sup> branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**<sup>®</sup> sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**<sup>®</sup> network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**<sup>®</sup> branches – 295
- **Community Bank**<sup>®</sup> branch staff – more than 1,400
- **Community Bank**<sup>®</sup> branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**<sup>®</sup> network's returns to communities grow exponentially each year, with \$470,000 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.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**<sup>®</sup> model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**<sup>®</sup> companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> company has a committed and strong partner and over the last financial year our company has also seen much success.

## Bendigo and Adelaide Bank report (continued)

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Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**<sup>®</sup> partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**<sup>®</sup> margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**<sup>®</sup> partners.

We've been working with the **Community Bank**<sup>®</sup> network to take action to reduce this imbalance (which is in favour of the **Community Bank**<sup>®</sup> partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**<sup>®</sup> shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**<sup>®</sup> shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

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



**Russell Jenkins**  
**Executive Customer and Community**

# Directors' report

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For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

## Directors

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

### Michael John Duff

Chairman

Age: 48

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: 47

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: 42

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: 72

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: 75

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: 75

Occupation: Grazier

Experience and expertise:

- Member of Rotary Club

Special responsibilities:

- Asset Management Sub Committee

Interests in shares: 52,500 Ordinary Shares

# Directors' report (continued)

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## Directors (continued)

### **Glenister Malcolm McGregor**

Director

Age: 71

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

### **Dianne Lesley Loft**

Director (Appointed 27 October 2011)

Age: 53

Occupation: Business Owner, Newsagent

Experience and expertise:

- Diploma of Retail Management
- 30 years retail experience

Special responsibilities:

- Asset Management Sub Committee
- Human Resources Sub Committee

Interests in shares: Nil ordinary shares

### **Ronald James Witney**

Director (Resigned 5 June 2012)

Age: 53

Occupation: Pharmacist

Experience and expertise:

- 16 years Pharmacist in Pearcedale

Special responsibilities:

- Finance & Budget Sub Committee

Interests in shares: 17,200 Ordinary Shares

### **John Munro Lyle**

Director (Resigned 27 October 2011)

Age: 61

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

### **Meint Peter (Rudy) de Jong**

Director (Resigned 27 October 2011)

Age: 65

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.

# Directors' report (continued)

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## 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.

## 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 2012<br>\$ | Year ended 30 June 2011<br>\$ |
|-------------------------------|-------------------------------|
| 180,983                       | 199,121                       |

## Remuneration Report

### Key Management Personnel Remuneration

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Managers and all staff. Remuneration packages, including a performance based bonus package, are reviewed annually by the Human Resources Sub-Committee in conjunction with Bendigo and Adelaide Bank Limited through consultation with the Regional Manager. An annual recommendation is subsequently put to the full Board for approval of Management remuneration.

Management performance in relation to remuneration is reviewed annually in accordance with the Company performance review policy. The Board believes the remuneration policy to be appropriate and effective to attract and retain the best local Branch management personnel. Bendigo and Adelaide Bank Limited is responsible for the determination of remuneration packages and policies applicable to seconded Branch Managers and all seconded staff.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

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. Branch Managers may be invited to attend Board meetings to provide Directors with an overview of their Branch's performance.

### **Director Remuneration Policy**

Remuneration paid to the Directors is not based on Company performance, but rather seen as a means to cover expenses incurred by the Directors as they carry out their duties to the Company. Director remuneration is reviewed as part of Company strategy planning on a 3 yearly basis. The Executive Officer's remuneration is reviewed annually by the Executive Committee, who then recommend any changes to the full Board for consideration.

Michael Duff received no additional remuneration for services performed in the role Non Executive Chairman. Michael received \$2,000 for general Director remuneration.

## Directors' report (continued)

### Director Remuneration Policy (continued)

Tania Hansen received payment 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 2012 financial year Tania was paid \$57,883 (2011: \$44,649) and the use of a company car. Tania also received \$2,000 for Director remuneration. Tania also assists Bendigo and Adelaide Bank Limited with their Director Education for **Community Bank**<sup>®</sup> Directors. Tania is remunerated by Bendigo and Adelaide Bank Limited at standard commercial rates for this work.

### Directors Fees

For the year ended 30 June 2012, 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 |

### Community Bank<sup>®</sup> Directors Privileges Package

Community Financial Services Victoria Limited has accepted the **Community Bank**<sup>®</sup> Directors Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the any of the following branches; Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South or Tooradin & Coastal Villages. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Options issued as part of remuneration for the year ended 30 June 2012

No options have been issued as part of remuneration for the year ended 30 June 2012.

| Dividends   | Year Ended 30 June 2012 |         |
|---|-------------------------|---------|
|   | Cents                   | \$      |
| Final dividends recommended:  | 24.00                   | 175,770 |
| Dividends paid in the year:   |                         |         |
| <ul style="list-style-type: none"><li>As recommended in the prior year report</li></ul> | 26.50                   | 194,080 |

# Directors' report (continued)

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## **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:

| Director   | Board Meetings Attended |   | Committee Meetings Attended |   |                 |   |                 |   |       |   |                  |   |
|--|-------------------------|---|-----------------------------|---|-----------------|---|-----------------|---|-------|---|------------------|---|
|  |                         |   | Audit & Governance          |   | Business Growth |   | Human Resources |   | Asset |   | Finance & Budget |   |
|  | A                       | B | A                           | B | A               | B | A               | B | A     | B | A                | B |
| Michael John Duff  | 8                       | 7 | 1                           | - | 2               | 2 | 1               | - | -     | - | 2                | - |
| Gordon Douglas Smale                                     | 8                       | 8 | -                           | - | 2               | 2 | -               | - | -     | - | 2                | 2 |
| Tania Lyn Hansen   | 8                       | 8 | 1                           | 1 | 2               | 2 | 1               | 1 | -     | - | 2                | 2 |
| Maxwell William Papley                                   | 8                       | 7 | 1                           | 1 | -               | - | 1               | 1 | -     | - | -                | - |
| Douglas Hugh Hamilton                                    | 8                       | 8 | -                           | - | -               | - | -               | - | -     | - | -                | - |
| Maxwell Arthur John Kneebone                             | 8                       | 6 | -                           | - | -               | - | -               | - | -     | - | -                | - |
| Glenister Malcolm McGregor                               | 8                       | 8 | 1                           | 1 | -               | - | -               | - | -     | - | 1                | 1 |
| Dianne Lesley Loft<br>(Appointed 27 October 2011)        | 5                       | 5 | -                           | - | -               | - | 1               | 1 | -     | - | -                | - |
| Ronald James Witney<br>(Resigned 5 June 2012)            | 8                       | 4 | -                           | - | -               | - | -               | - | -     | - | 2                | - |
| John Munro Lyle<br>(Resigned 27 October 2011)            | 3                       | 2 | -                           | - | -               | - | -               | - | -     | - | 1                | 1 |
| Meint Peter (Rudy) de Jong<br>(Resigned 27 October 2011) | 3                       | 2 | -                           | - | -               | - | -               | - | -     | - | -                | - |

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.



# Directors' report (continued)

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## **Non Audit Services (continued)**

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.

## **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 4th September 2012.



**Michael John Duff,  
Chairman**

# Auditor's independence declaration

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## 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 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

  
Graeme Stewart  
Andrew Frewin Stewart  
61 Bull Street, Bendigo Vic 3550

Dated: 4 September 2012

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

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# Financial statements

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## Statement of Comprehensive Income for the Year Ended 30 June 2012

|  | Note | 2012<br>\$     | 2011<br>\$     |
|--|------|----------------|----------------|
| Revenues from ordinary activities                            | 4    | 3,500,730      | 3,341,709      |
| Employee benefits expense                                    |      | (1,565,039)    | (1,447,608)    |
| Charitable donations, sponsorship, advertising and promotion |      | (795,928)      | (718,044)      |
| Occupancy and associated costs                               |      | (259,957)      | (251,834)      |
| Systems costs  |      | (131,068)      | (137,194)      |
| Depreciation and amortisation expense                        | 5    | (138,067)      | (121,828)      |
| General administration expenses                              |      | (371,976)      | (366,319)      |
| <b>Profit before income tax expense</b>                      |      | <b>238,695</b> | <b>298,882</b> |
| Income tax expense   | 6    | (57,712)       | (99,761)       |
| <b>Profit after income tax expense</b>                       |      | <b>180,983</b> | <b>199,121</b> |
| <b>Total comprehensive income for the year</b>               |      | <b>180,983</b> | <b>199,121</b> |
| <b>Earnings per share (cents per share)</b>                  |      | <b>c</b>       | <b>c</b>       |
| - basic for profit for the year                              | 22   | 24.71          | 27.19          |

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2012

|                                      | Note | 2012<br>\$       | 2011<br>\$       |
|--------------------------------------|------|------------------|------------------|
| <b>ASSETS</b>                        |      |                  |                  |
| <b>Current Assets</b>                |      |                  |                  |
| Cash and cash equivalents            | 7    | 487,260          | 456,458          |
| Trade and other receivables          | 8    | 281,084          | 248,098          |
| Current tax asset                    | 12   | 15,178           | 14,656           |
| <b>Total Current Assets</b>          |      | <b>783,522</b>   | <b>719,212</b>   |
| <b>Non-Current Assets</b>            |      |                  |                  |
| Property, plant and equipment        | 9    | 443,142          | 498,773          |
| Financial assets                     | 10   | 50,000           | 50,000           |
| Intangible assets                    | 11   | 372,787          | 428,555          |
| Deferred tax assets                  | 12   | 41,341           | 31,368           |
| <b>Total Non-Current Assets</b>      |      | <b>907,270</b>   | <b>1,008,696</b> |
| <b>Total Assets</b>                  |      | <b>1,690,792</b> | <b>1,727,908</b> |
| <b>LIABILITIES</b>                   |      |                  |                  |
| <b>Current Liabilities</b>           |      |                  |                  |
| Trade and other payables             | 13   | 205,005          | 254,521          |
| Provisions                           | 14   | 111,769          | 96,424           |
| <b>Total Current Liabilities</b>     |      | <b>316,774</b>   | <b>350,945</b>   |
| <b>Non-Current Liabilities</b>       |      |                  |                  |
| Provisions                           | 14   | 29,701           | 19,549           |
| <b>Total Non-Current Liabilities</b> |      | <b>29,701</b>    | <b>19,549</b>    |
| <b>Total Liabilities</b>             |      | <b>346,475</b>   | <b>370,494</b>   |
| <b>Net Assets</b>                    |      | <b>1,344,317</b> | <b>1,357,414</b> |
| <b>Equity</b>                        |      |                  |                  |
| Issued capital                       | 15   | 607,871          | 607,871          |
| Retained earnings                    | 16   | 736,446          | 749,543          |
| <b>Total Equity</b>                  |      | <b>1,344,317</b> | <b>1,357,414</b> |

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the Year Ended 30 June 2012

|  | Issued<br>Capital<br>\$ | Retained<br>Earnings<br>\$ | Total<br>Equity<br>\$ |
|--|-------------------------|----------------------------|-----------------------|
| <b>Balance at 1 July 2010</b>                                | <b>607,871</b>          | <b>678,588</b>             | <b>1,286,459</b>      |
| <b>Total comprehensive income for the year</b>               | -                       | <b>199,121</b>             | <b>199,121</b>        |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                            |                       |
| Shares issued during period                                  | -                       | -                          | -                     |
| Costs of issuing shares                                      | -                       | -                          | -                     |
| Dividends provided for or paid                               | -                       | (128,166)                  | (128,166)             |
| <b>Balance at 30 June 2011</b>                               | <b>607,871</b>          | <b>749,543</b>             | <b>1,357,414</b>      |
| <b>Balance at 1 July 2011</b>                                | <b>607,871</b>          | <b>749,543</b>             | <b>1,357,414</b>      |
| <b>Total comprehensive income for the year</b>               | -                       | <b>180,983</b>             | <b>180,983</b>        |
| <b>Transactions with owners in their capacity as owners:</b> |                         |                            |                       |
| Shares issued during period                                  | -                       | -                          | -                     |
| Costs of issuing shares                                      | -                       | -                          | -                     |
| Dividends provided for or paid                               | -                       | (194,080)                  | (194,080)             |
| <b>Balance at 30 June 2012</b>                               | <b>607,871</b>          | <b>736,446</b>             | <b>1,344,317</b>      |

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cashflows for the Year Ended 30 June 2012

|   | Note        | 2012<br>\$       | 2011<br>\$       |
|---|-------------|------------------|------------------|
| <b>Cash Flows From Operating Activities</b>                       |             |                  |                  |
| Receipts from customers   |             | 3,780,733        | 3,662,547        |
| Payments to suppliers and employees                               |             | (3,483,911)      | (3,169,775)      |
| Interest received   |             | 21,716           | 23,023           |
| Income taxes paid   |             | (68,207)         | (117,981)        |
| <b>Net cash provided by operating activities</b>                  | <b>17</b>   | <b>250,331</b>   | <b>397,814</b>   |
| <b>Cash Flows From Investing Activities</b>                       |             |                  |                  |
| Payments for property, plant and equipment                        |             | (25,449)         | (133,847)        |
| Payments for intangible assets                                    |             | -                | (138,847)        |
| Refund from share application                                     |             | -                | 25,000           |
| <b>Net cash used in investing activities</b>                      |             | <b>(25,449)</b>  | <b>(247,694)</b> |
| <b>Cash Flows From Financing Activities</b>                       |             |                  |                  |
| Dividends paid  |             | (194,080)        | (128,166)        |
| <b>Net cash used in financing activities</b>                      |             | <b>(194,080)</b> | <b>(128,166)</b> |
| <b>Net increase in cash held</b>                                  |             | <b>30,802</b>    | <b>21,954</b>    |
| Cash and cash equivalents at the beginning of the financial year  |             | 456,458          | 434,504          |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>7(a)</b> | <b>487,260</b>   | <b>456,458</b>   |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2012

## Note 1. Summary of Significant Accounting Policies

### a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

#### Compliance with IFRS

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

#### 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.

#### 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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

#### 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**<sup>®</sup> branches at Lang Lang, Narre Warren South, Pearcedale, Koo Wee Rup and Tooradin in the state of Victoria.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

#### Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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).

#### 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.



# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### b) Revenue (continued)

#### Revenue calculation (continued)

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**<sup>®</sup> partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**<sup>®</sup> 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.

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.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### c) Income Tax (continued)

#### 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.

### 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

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### **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.

#### 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.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### **k) Financial Instruments (continued)**

#### 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.

### **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.

# Notes to the financial statements (continued)

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## 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.

### (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%.

# Notes to the financial statements (continued)

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## Note 2. Financial Risk Management (continued)

### **(vi) Capital management (continued)**

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

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

## 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.

# Notes to the financial statements (continued)

## Note 3. Critical Accounting Estimates and Judgements (continued)

### 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.

### 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.

|  | 2012<br>\$       | 2011<br>\$       |
|--|------------------|------------------|
| <b>Note 4. Revenue from Ordinary Activities</b>    |                  |                  |
| Operating activities:                              |                  |                  |
| - services commissions                             | 3,479,168        | 3,315,226        |
| - other revenue                                    | 1,219            | 3,301            |
| <b>Total revenue from operating activities</b>     | <b>3,480,387</b> | <b>3,318,527</b> |
| Non-operating activities:                          |                  |                  |
| - interest received                                | 20,343           | 23,182           |
| <b>Total revenue from non-operating activities</b> | <b>20,343</b>    | <b>23,182</b>    |
| <b>Total revenues from ordinary activities</b>     | <b>3,500,730</b> | <b>3,341,709</b> |

## Notes to the financial statements (continued)

|   | Note | 2012<br>\$     | 2011<br>\$     |
|---|------|----------------|----------------|
| <b>Note 5. Expenses</b>                   |      |                |                |
| Depreciation of non-current assets:       |      |                |                |
| - improvements, plant and equipment       |      | 55,593         | 61,909         |
| - motor vehicles                          |      | 26,705         | 26,267         |
| Amortisation of non-current assets:       |      |                |                |
| - franchise fee and franchise renewal fee |      | 55,769         | 33,652         |
|   |      | <b>138,067</b> | <b>121,828</b> |
| <b>Bad debts</b>                          |      | <b>4,008</b>   | <b>3,319</b>   |

## Note 6. Income Tax Expense

The components of tax expense comprise:

|   |  |               |               |
|---|--|---------------|---------------|
| - Current tax                                 |  | 86,381        | 104,313       |
| - Movement in deferred tax                    |  | (9,973)       | (4,552)       |
| - Adjustments to tax expense of prior periods |  | (18,696)      | -             |
|   |  | <b>57,712</b> | <b>99,761</b> |

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

|   |    |               |                |
|---|----|---------------|----------------|
| Operating profit  |    | 238,695       | 298,882        |
| Prima facie tax on profit from ordinary activities at 30% |    | 71,609        | 89,665         |
| Add tax effect of:  |    |               |                |
| - non-deductible expenses                                 |    | 4,799         | 10,096         |
| - timing difference expenses                              |    | 9,973         | 4,553          |
| - other deductible expenses                               |    | -             | -              |
|   |    | <b>86,381</b> | <b>104,314</b> |
| Movement in deferred tax                                  | 12 | (9,973)       | (4,553)        |
| Adjustments to tax expense of prior periods               |    | (18,696)      | -              |
|   |    | <b>57,712</b> | <b>99,761</b>  |



## Notes to the financial statements (continued)

|  | 2012<br>\$     | 2011<br>\$     |
|--|----------------|----------------|
| <b>Note 7. Cash and Cash Equivalents</b> |                |                |
| Cash at bank and on hand                 | 151,027        | 136,340        |
| Term deposits                            | 336,233        | 320,118        |
|  | <b>487,260</b> | <b>456,458</b> |

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 | 151,027        | 136,340        |
| Term deposits            | 336,233        | 320,118        |
|                          | <b>487,260</b> | <b>456,458</b> |

## Note 8. Trade and Other Receivables

|                   |                |                |
|-------------------|----------------|----------------|
| Trade receivables | 270,740        | 231,456        |
| Prepayments       | 10,344         | 16,642         |
|                   | <b>281,084</b> | <b>248,098</b> |

## Note 9. Property, Plant and Equipment

### **Improvements, plant and equipment**

|                               |                |                |
|-------------------------------|----------------|----------------|
| At cost                       | 735,588        | 731,136        |
| Less accumulated depreciation | (381,218)      | (325,625)      |
|                               | <b>354,370</b> | <b>405,511</b> |

### **Motor Vehicles**

|                               |               |               |
|-------------------------------|---------------|---------------|
| At cost                       | 134,201       | 129,684       |
| Less accumulated depreciation | (45,429)      | (36,422)      |
|                               | <b>88,772</b> | <b>93,262</b> |

|                                  |                |                |
|----------------------------------|----------------|----------------|
| <b>Total written down amount</b> | <b>443,142</b> | <b>498,773</b> |
|----------------------------------|----------------|----------------|

### **Movements in carrying amounts:**

#### **Plant and equipment**

|                               |                |                |
|-------------------------------|----------------|----------------|
| Carrying amount at beginning  | 405,511        | 429,505        |
| Additions                     | 4,453          | 37,915         |
| Disposals                     | -              | -              |
| Less: depreciation expense    | (55,593)       | (61,909)       |
| <b>Carrying amount at end</b> | <b>354,371</b> | <b>405,511</b> |

## Notes to the financial statements (continued)

|   | 2012<br>\$     | 2011<br>\$     |
|---|----------------|----------------|
| Note 9. Property, Plant and Equipment (continued) |                |                |
| <b>Motor Vehicles</b>                             |                |                |
| Carrying amount at beginning                      | 93,262         | 23,597         |
| Additions   | 38,268         | 95,932         |
| Disposals   | (16,054)       | -              |
| Less: depreciation expense                        | (26,705)       | (26,267)       |
| Carrying amount at end                            | 88,771         | 93,262         |
| <b>Total written down amount</b>                  | <b>443,142</b> | <b>498,773</b> |

## Note 10. Financial Assets

### Available-for-sale financial assets

Unlisted investments at cost

|  |               |               |
|--|---------------|---------------|
| <b>Mt Eliza Community Enterprise Limited</b> | <b>50,000</b> | <b>50,000</b> |
|--|---------------|---------------|

## Note 11. Intangible Assets

### Franchise fee

|                                |               |               |
|--------------------------------|---------------|---------------|
| At cost                        | 133,140       | 133,140       |
| Less: accumulated amortisation | (105,832)     | (95,204)      |
|                                | <b>27,308</b> | <b>37,936</b> |

### Renewal processing fee

|                                |                |                |
|--------------------------------|----------------|----------------|
| At cost                        | 225,706        | 225,706        |
| Less: accumulated amortisation | (98,735)       | (53,595)       |
|                                | <b>126,971</b> | <b>172,111</b> |

### Goodwill

|                                  |                |                |
|----------------------------------|----------------|----------------|
| At cost                          | 218,508        | 218,508        |
| <b>Total written down amount</b> | <b>372,787</b> | <b>428,555</b> |

## Note 12. Tax

### Current:

|                              |               |               |
|------------------------------|---------------|---------------|
| <b>Income tax refundable</b> | <b>15,178</b> | <b>14,656</b> |
|------------------------------|---------------|---------------|

## Notes to the financial statements (continued)

|  | 2012<br>\$     | 2011<br>\$     |
|--|----------------|----------------|
| Note 12. Tax (continued)   |                |                |
| <b>Non-Current:</b>  |                |                |
| <b>Deferred tax assets</b>   |                |                |
| - employee provisions  | 42,441         | 34,792         |
|  | <b>42,441</b>  | <b>34,792</b>  |
| <b>Deferred tax liability</b>  |                |                |
| - accruals   | 1,100          | 1,512          |
| - deductible prepayments   | -              | 1,912          |
|  | <b>1,100</b>   | <b>3,424</b>   |
| <b>Net deferred tax asset</b>  | <b>41,341</b>  | <b>31,368</b>  |
| <b>Movement in deferred tax charged to statement of comprehensive income</b> | <b>(9,973)</b> | <b>(4,553)</b> |

### Note 13. Trade and Other Payables

|                              |                |                |
|------------------------------|----------------|----------------|
| Trade creditors              | 184,566        | 248,913        |
| Other creditors and accruals | 20,439         | 5,608          |
|                              | <b>205,005</b> | <b>254,521</b> |

### Note 14. Provisions

|   |                |               |
|---|----------------|---------------|
| <b>Current:</b>                         |                |               |
| Provision for annual leave              | 60,171         | 59,003        |
| Provision for long service leave        | 51,598         | 37,421        |
|   | <b>111,769</b> | <b>96,424</b> |
| <b>Non-Current:</b>                     |                |               |
| <b>Provision for long service leave</b> | <b>29,701</b>  | <b>19,549</b> |

### Note 15. Contributed Equity

|  |                |                |
|--|----------------|----------------|
| 732,375 Ordinary shares fully paid (2011: 732,375) | 732,375        | 732,375        |
| Less: equity raising expenses                      | (124,504)      | (124,504)      |
|  | <b>607,871</b> | <b>607,871</b> |

# Notes to the financial statements (continued)

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## Note 15. Contributed Equity (continued)

### **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.

### **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.

## Notes to the financial statements (continued)

### Note 15. Contributed Equity (continued)

#### Prohibited shareholding interest (continued)

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 National Stock Exchange (NSX) 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 NSX.

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.

|  | 2012<br>\$     | 2011<br>\$     |
|--|----------------|----------------|
| <b>Note 16. Retained Earnings</b>                    |                |                |
| Balance at the beginning of the financial year       | 749,543        | 678,588        |
| Net profit from ordinary activities after income tax | 180,983        | 199,121        |
| Dividends paid or provided for                       | (194,080)      | (128,166)      |
| <b>Balance at the end of the financial year</b>      | <b>736,446</b> | <b>749,543</b> |

### 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 | 180,983 | 199,121 |
| Non cash items:                                  |         |         |
| - depreciation                                   | 82,299  | 88,176  |
| - amortisation                                   | 55,768  | 33,652  |
| - profit on disposal of non-current assets       | (1,219) | -       |

## Notes to the financial statements (continued)

|   | 2012<br>\$     | 2011<br>\$     |
|---|----------------|----------------|
| Note 17. Statement of Cashflows (continued)           |                |                |
| Changes in assets and liabilities:                    |                |                |
| - (increase)/decrease in receivables                  | (32,986)       | 19,653         |
| - (increase)/decrease in current tax assets           | (522)          | (13,666)       |
| - (increase)/decrease in deferred tax assets          | (9,973)        | (4,554)        |
| - increase/(decrease) in payables                     | (49,516)       | 63,865         |
| -increase/(decrease) in provisions                    | 25,497         | 11,567         |
| <b>Net cashflows provided by operating activities</b> | <b>250,331</b> | <b>397,814</b> |

## 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       | 178,306        | 172,023        |
| - between 12 months and 5 years  | 473,975        | 461,257        |
| - greater than 5 years           | -              | -              |
|                                  | <b>652,281</b> | <b>633,280</b> |

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 | 6,550         | 5,800        |
| - share registry services   | 1,610         | 2,194        |
| - non audit services        | 2,050         | 1,610        |
|                             | <b>10,210</b> | <b>9,604</b> |

# Notes to the financial statements (continued)

## 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  
Dianne Lesley Loft (Appointed 27 October 2011)  
Ronald James Witney (Resigned 5 June 2012)  
John Munro Lyle (Resigned 27 October 2011)  
Meint Peter (Rudy) de Jong (Resigned 27 October 2011)

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 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 2012 financial year Community Financial Services Victoria Limited made payments of \$82,542.27 (2011: \$72,424.51) 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 2012 financial year Community Financial Services Victoria Limited made payments to Larmax Trading of \$2,894.86 (2011: \$3,007.69). Director Max Papley is the owner of Larmax Trading. The purchase was made on normal commercial terms.

During the 2012 financial year Community Financial Services Victoria Limited made payments to John Duff & Co of \$14,339.84 (2011: \$5,055.37) for the purchase of motor vehicle fuel. Director Michael Duff is the owner of John Duff & Co. The purchases were made on normal commercial terms.

During the 2012 financial year Community Financial Services Victoria Limited made payments to Pearcedale Village Supermarket of \$954.01 (2011: \$401.63) for the purchase of minor supplies during the year. Director John Lyle is the owner of Pearcedale Village Supermarket. The purchases were made on normal commercial terms.

| <b>Directors' Shareholdings</b> | <b>2012</b> | <b>2011</b> |
|---------------------------------|-------------|-------------|
| 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      |

## Notes to the financial statements (continued)

### Note 20. Director and Related Party Disclosures (continued)

| <b>Directors' Shareholdings (continued)</b>           | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|
| Dianne Lesley Loft (Appointed 27 October 2011)        | -           | -           |
| Ronald James Witney (Resigned 5 June 2012)            | 17,200      | 17,200      |
| John Munro Lyle (Resigned 27 October 2011)            | 15,850      | 15,850      |
| Meint Peter (Rudy) de Jong (Resigned 27 October 2011) | 3,675       | 3,675       |

There was no movement in directors' shareholdings during the year.

|  | <b>2012</b> | <b>2011</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |

### Note 21. Dividends paid or Provided

#### a. Dividends paid during the year

|  |                |                |
|--|----------------|----------------|
| <b>100% (2011: 100%) franked dividend for the year ended 30 June 2011 of 26.5 cents (2011: 17.5 cents) per fully paid share paid on 9 December 2011 (2011: 10 December 2010)</b> | <b>194,080</b> | <b>128,166</b> |
|--|----------------|----------------|

#### b. Dividends proposed and not recognised as a liability

|   |                |                |
|---|----------------|----------------|
| Current year final dividend   |                |                |
| <b>100% (2011: 100%) franked dividend - 24 cents (2011: 26.5 cents) per share</b> | <b>175,770</b> | <b>194,080</b> |

The tax rate at which dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at a rate of 30% (2011: 30%).

#### c. Franking account balance

|  |                |                |
|--|----------------|----------------|
| Franking credits available for subsequent reporting periods are:   |                |                |
| - franking account balance as at the end of the financial year   | 414,357        | 429,326        |
| - franking debits that will arise from income tax refundable as at the end of the financial year   | (15,178)       | (14,656)       |
| - 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:   | 399,179        | 414,670        |
| - 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 | (75,330)       | (83,177)       |
| <b>Net franking credits available</b>  | <b>323,849</b> | <b>331,493</b> |



## Notes to the financial statements (continued)

|  | 2012<br>\$    | 2011<br>\$    |
|--|---------------|---------------|
| <b>Note 22. Earnings Per Share</b>   |               |               |
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share   | 180,983       | 199,121       |
|  | <b>Number</b> | <b>Number</b> |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 732,375       | 732,375       |

## 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 Bank**<sup>®</sup> 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.

| Geographic Segments | Total Revenue    |                  | Profit from ordinary activities after income tax |                | Net Assets       |                  |
|---------------------|------------------|------------------|--|----------------|------------------|------------------|
|                     | 2012<br>\$       | 2011<br>\$       | 2012<br>\$                                       | 2011<br>\$     | 2012<br>\$       | 2011<br>\$       |
| Lang Lang           | 796,997          | 789,973          | 44,586   | 70,443         | 314,894          | 317,382          |
| Pearcedale          | 898,688          | 866,082          | 151,095  | 111,500        | 207,846          | 220,294          |
| Koo Wee Rup         | 721,511          | 711,767          | 75,831   | 65,385         | 120,347          | 142,713          |
| Narre Warren South  | 771,574          | 714,429          | 62,419   | 102,174        | 162,752          | 196,449          |
| Tooradin            | 311,959          | 259,458          | (152,948)  | (150,381)      | 98,920           | 124,551          |
| Unallocated         | -                | -                | -  | -              | 439,558          | 356,025          |
| <b>Total</b>        | <b>3,500,729</b> | <b>3,341,709</b> | <b>180,983</b>                                   | <b>199,121</b> | <b>1,344,317</b> | <b>1,357,414</b> |

# 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 |         |                      |         |  |        |
|                              | 2012 \$                | 2011 \$ | 2012 \$                         | 2011 \$ | 2012 \$           | 2011 \$ | 2012 \$      | 2011 \$ | 2012 \$              | 2011 \$ | 2012 %                                   | 2011 % |
| <b>Financial Assets</b>      |                        |         |                                 |         |                   |         |              |         |                      |         |  |        |
| Cash and cash equivalents    | 151,027                | 136,340 | 336,233                         | 320,118 | -                 | -       | -            | -       | -                    | -       | 3.47                                     | 3.74   |
| Receivables                  | -                      | -       | -                               | -       | -                 | -       | -            | -       | 281,084              | 248,098 | N/A                                      | N/A    |
| <b>Financial Liabilities</b> |                        |         |                                 |         |                   |         |              |         |                      |         |  |        |
| Payables                     | -                      | -       | -                               | -       | -                 | -       | -            | -       | 205,004              | 254,521 | N/A                                      | N/A    |

# Directors' declaration

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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 2012 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 4th of September 2012.

# Independent audit report

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## 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 2012, 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.

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# Independent audit report (continued)

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## 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:

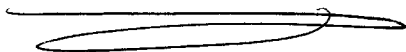
- 1) The financial report of Community Financial Services Victoria Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



**Graeme Stewart**  
**Andrew Frewin Stewart**  
61 Bull Street Bendigo Vic 3550

Dated: 4 September 2012

# NSX report

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Community Financial Services Victoria Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX). This information is current as at 13 September 2012.

## Shareholding

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 | Number of shares held |
|---------------------------|------------------------|-----------------------|
| 1 to 1,000                | 93                     | 56903                 |
| 1,001 to 5,000            | 89                     | 203987                |
| 5,001 to 10,000           | 32                     | 198950                |
| 10,001 to 100,000         | 13                     | 272535                |
| 100,001 and over          | 0                      | 0                     |
| <b>Total shareholders</b> | <b>227</b>             | <b>732,375</b>        |

## Equity securities

Each of the above shareholders are 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.

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 per share. There are no unquoted equity securities.

# NSX report (continued)

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## Ten largest shareholders

The following table shows the 10 largest shareholders.

| Shareholder   | Number of fully paid shares held | Percentage of issued capital |
|---|----------------------------------|------------------------------|
| Mcgregor Sands Pty Ltd  | 45000                            | 6.14                         |
| Sea Leaf Products Pty Ltd   | 44000                            | 6.01                         |
| M & L Duff Pty Ltd <Duff Family A/C>  | 30000                            | 4.1                          |
| Seventy Second Colro Pty Ltd  | 25000                            | 3.41                         |
| Ms Laraine A Papley <Garfield Superfund A/C>                                    | 25000                            | 3.41                         |
| Mr Maxwell A J Kneebone & Ms Joan Evelyn Kneebone <Westernport Roadlines Sf Ac> | 21000                            | 2.87                         |
| Jayemel Nominees Pty Ltd <Lyle Staff S/Fund A/C>                                | 15850                            | 2.16                         |
| Mr John Anthony Dwyer & Mrs Melissa Anne Dwyer                                  | 13000                            | 1.78                         |
| Mr Gerald Francis Pauley & Mr Michael James Pauley <Pauley Super Fund A/C>      | 11235                            | 1.53                         |
| Ron Witney <Witney Super Fund A/C>  | 11200                            | 1.53                         |
|   | <b>241,285</b>                   | <b>33</b>                    |

## Registered office and principal administrative office

The registered office of the company is located at:

29 Westernport Road,  
Lang Lang VIC 3984

The principal administrative office of the company is located at:

29 Westernport Road,  
Lang Lang 3984

Phone: (03) 5997 5019

## Security register

The security register (share register) is kept at:

AFS & Associates

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

# NSX report (continued)

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## Company Secretary

Tania Hansen has been the Company Secretary of Community Financial Services Victoria Ltd for since September 2003.

## Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Doug Hamilton and Glen McGregor
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

## 5 Year summary of performance

|                       | <b>2008</b><br>\$ | <b>2009</b><br>\$ | <b>2010</b><br>\$ | <b>2011</b><br>\$ | <b>2012</b><br>\$ |
|-----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Gross revenue         | 2,391,449         | 2,655,777         | 3,035,327         | 3,341,709         | 3,500,730         |
| Net profit before tax | 457,449           | 420,119           | 417,627           | 298,882           | 238,695           |
| Total assets          | 1,222,885         | 1,426,550         | 1,581,521         | 1,727,908         | 1,690,792         |
| Total liabilities     | 259,531           | 295,062           | 298,051           | 370,494           | 346,475           |
| Total equity          | 963,354           | 1,128,499         | 1,286,459         | 1,357,414         | 1,344,317         |







Lang Lang **Community Bank**® Branch  
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[www.bendigobank.com.au/langlang](http://www.bendigobank.com.au/langlang)

Pearcedale **Community Bank**® Branch  
 Shop 4, Pearcedale Village Shopping Centre,  
 Baxter Tooradin Road, Pearcedale VIC 3912  
 Phone: (03) 5978 7566  
[www.bendigobank.com.au/pearcedale](http://www.bendigobank.com.au/pearcedale)

Koo Wee Rup branch  
 28 Station Street, Koo Wee Rup VIC 3981  
 Phone: (03) 5997 2266  
[www.bendigobank.com.au/koo\\_wee\\_rup](http://www.bendigobank.com.au/koo_wee_rup)

Narre Warren South branch  
 Shop 8, Amberly Park Shopping Centre,  
 101 Seebeck Drive, Narre Warren South VIC 3805  
 Phone: (03) 8790 3411  
[www.bendigobank.com.au/narre\\_warren\\_south](http://www.bendigobank.com.au/narre_warren_south)

Tooradin & Coastal Villages branch  
 Shop 2, 106 South Gippsland Highway, Tooradin VIC 3980  
 Phone: (03) 5998 3038  
[www.bendigobank.com.au/tooradin](http://www.bendigobank.com.au/tooradin)

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