



## Community Financial Services Victoria Limited

ABN 51 092 756 351

# ANNUAL REPORT 2013

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

# Contents

---

<b>Chairman's report</b>	<b>2</b>
<b>Lang Lang Manager's report</b>	<b>3</b>
<b>Pearcedale Manager's report</b>	<b>4</b>
<b>Koo Wee Rup Manager's report</b>	<b>5</b>
<b>Narre Warren South Manager's report</b>	<b>6</b>
<b>Tooradin &amp; Coastal Villages Manager's report</b>	<b>7</b>
<b>Community engagements</b>	<b>8</b>
<b>Directors' report</b>	<b>10</b>
<b>Auditor's independence declaration</b>	<b>19</b>
<b>Financial statements</b>	<b>20</b>
<b>Notes to the financial statements</b>	<b>24</b>
<b>Directors' declaration</b>	<b>44</b>
<b>Independent audit report</b>	<b>45</b>
<b>NSX report</b>	<b>47</b>

# Chairman's report

---

For year ending 30 June 2013

It is my pleasure to present to you our 2013 Annual Report. With the prevailing economic climate and political uncertainty being as it has been, Community Financial Services Victoria Ltd has managed to achieve solid loan and deposit activity together with strong profit. I feel extremely confident of our current financial position.

This has all been achieved in conjunction with paying shareholders a 24 cent fully franked share dividend.

We continue to invest in our communities and sponsor many groups throughout our district. Our communities once again reap benefit from the company's strong financial position through our Community Grants Program with \$212,000 being distributed to 85 organisations at a recently held gala Community Grants Night. These Community Grants make a significant difference to local organisations. We look forward to continuing to support these groups and others as more people bank with us and we become even more successful.

The community company's commitment to the youth of our community is outstanding. This year the company supported many areas of youth involvement including OzChild's Community VCAL program operated in Pakenham, Youth Foundations in Narre Warren South/Hampton Park, GreenLight Youth Driver Education and the Scholarship program. The Scholarship program assists young people in our district to attend university who otherwise may not have been able to attend. These are all significant programs which can make a real difference to a young person's life. The Directors and I are all very proud of this commitment to our local youth and we take pride in seeing our young people achieve their potential.

Much of the success of our **Community Bank**<sup>®</sup> branches belongs to our staff. It is a heartfelt thank you to our Managers and the respective branch teams for their dedicated performance. Having five **Community Bank**<sup>®</sup> branches throughout our region is certainly providing an economy of scale. From a staffing perspective, it is a company mandate to continue to provide our staff with training to further their opportunity for development and succession. Laura McBride who began with our company as an ASBA trainee working in the branch one day a week is one great testimony. Since having taken fulltime employment as a CRO in our Lang Lang **Community Bank**<sup>®</sup> Branch, Laura has developed her skills rapidly. Laura is currently also able to assist our Executive Officer with her extremely busy workload when required. Well done Laura.

At our last AGM Mr Michael Bushe was elected to the Board; a position he accepted with pleasure and we welcomed him accordingly thanking him for his commitment. Michael possesses an extensive arsenal of business acumen and community understanding. He has served the company well in his first year with a great amount of enthusiasm and passion.

As for my fellow Directors, they are a tremendous group of community minded people who have always given their time and support with a common objective; our company's success. With this mindset and direction, our shareholders and community will continue to benefit.

To our Executive Officer and Company Secretary Tania Hansen, a person of outstanding character, thank you for your drive, your resolve and your quality.

To our fellow shareholders, thank you. Your continued support is unequivocally respected by the Directors. Your committed hardworking Board are always mindful of their position and the faith and confidence you continue to instil in us.

All of this cannot be achieved without the support from our partners, Bendigo and Adelaide Bank Ltd. The professionalism and support from Regional Manager Rob Francis and his team is also very much appreciated. Our thanks go to the entire Bendigo and Adelaide Bank Ltd support network for their commitment throughout the past year.



**Michael Duff**  
**Chairman**

# Lang Lang Manager's report

---

For year ending 30 June 2013

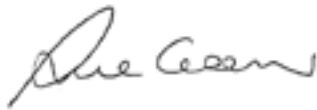
Lang Lang **Community Bank**<sup>®</sup> Branch has again seen strong growth this financial year in both lending and deposits. This was an exceptional result give the current economic conditions. I would like to thank the many individuals and groups within the Lang Lang and surrounding areas for their continued support and trust.

I thank my team Laura, Pam, Jacquie, Melissa and Eleanor. During the year we saw Melissa take family leave for her second child and Eleanor returned to take up Melissa's role on a 12 month contract. Laura returned after a year in a relief position and has taken up the role of our Customer Relationship Officer. I would like to thank my staff for the commitment and enthusiasm they bring to the branch each day. Their willingness to provide a high level of service to all our customers will ensure the branch continues to grow.

I am aiming for continued growth of our business which should be achievable given the expected growth for the township and local area. We continue to receive support form the local community groups, clubs and schools. This has been a very rewarding year for me working with our various community groups

To our shareholders and customers I extend my gratitude for your support during the year. It is your continued banking support that generates the income to provide funds for our local community groups.

I thank the Board of Directors for their support of our community and to all shareholders who made the Lang Lang **Community Bank**<sup>®</sup> Branch possible.



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

# Pearcedale Manager's report

---

For year ending 30 June 2013

Pearcedale **Community Bank**<sup>®</sup> Branch business footings achieved targeted growth of 7% during the year supported by solid lending growth of 10%, notwithstanding loan paydown of \$3.4 million was also seen. This was largely impacted upon by customers reducing debt to position themselves well to manage their financial affairs in the current challenging economic environment. A sound improvement in loan arrears position was also pleasing.

A modest increase in net income was recorded (4.4%) against a backdrop of a sustained competitive operating environment and continuing cost pressures.

The branch team remained consistent during the year which assisted us in building stronger client relationships. A team focus on achieving targeted business KPI's also ensured we remained connected and provided relevant financial solution offerings to our customers.

Customer numbers increased to 2,776 over the year with the school banking program at Pearcedale Primary School contributing strongly to customer growth. This is one of many initiatives that have contributed positively in us providing meaningful community value in Pearcedale.

Thanks to all our customers who have provided their loyal custom and advocacy. Your support is what enables us to provide the great outcomes in our community.

Financial Planning consultancies and Insurance product suite take-up was strong over the year demonstrating our commitment to adding tangible and relevant value to our customers.

We look forward to continued moderate growth targeted at 7% in the current period with a robust lending pipeline already in place. I am also proud to announce that we have pledged over \$41,000 in grants/sponsorship support to the Pearcedale community.

I was pleased to lead the Pearcedale **Community Bank**<sup>®</sup> Branch team of Vivienne, Melanie, Keryn and Diane during the 2012/13 financial year. Relief support provided by Karen, Jack, and Angela was effective in bridging Jaimie's maternity leave absence.

Thanks Tania Hansen, CFSV Ltd Executive Officer and all Board members for the support you have provided to me and the Pearcedale **Community Bank**<sup>®</sup> Branch team over the year.



**Darryl Sutcliffe**  
**Pearcedale Branch Manager**

# Koo Wee Rup Manager's report

---

For year ending 30 June 2013

The Koo Wee Rup branch has now been operating for over nine years with continued strong growth during the 2012/13 financial year seeing our overall business increase by 6.7%.

The branch has seen an outstanding growth in our lending business which has grown by 13% during this financial year. This result was a great achievement in the current economic climate. Our branch now has 1,496 customers (2% increase) with the number of accounts held by our customers increasing by 2.6% to 2,483.

Our branch has seen a number of staff changes during this financial year where we have welcomed Suzy as our new team member in June when Christine commenced her maternity leave. Jack has taken on a relief staff member role for our five branches after Amanda returned from her maternity leave in January. I would like to acknowledge the commitment, support and professionalism of all my staff during the last 12 months, Kay, Julie, Amanda, Christine, Jack and Suzy. I would also like to thank our relief staff team, Karen, Angela and Jack for their continued support towards our branch.

During the coming financial year our branch is aiming to increase our business growth by 8%. This is achievable given the continued growth of the Koo Wee Rup township along with the continued support our branch receives from the local community groups, clubs and schools who benefit from the **Community Bank®** concept.

I would like to thank all of branch our customers, Tania Hansen (CFSV Ltd Executive Officer), Rob Francis (Bendigo Bank Regional Manager), the Board of Directors and all our shareholders for their continued support of our branch. It is only with this continued support that our branch is able to grow strongly and continue providing benefits to the local community of Koo Wee Rup and surrounding townships.



**Richard Roach**  
**Koo Wee Rup Branch Manager**

# Narre Warren South Manager's report

---

For year ending 30 June 2013

Over the past 12 months our branch has continued to grow at a steady rate, with the total business held now in excess of \$94 million in loans and deposits. The majority of that business growth came through our deposits and the challenge ahead of us now is to boost our lending figures in a very competitive market at a time when customers are more focused on paying down debt. We have maintained our activity levels in lending applications per mortgage lender to be 2nd highest in the region.

We were able to open a total of 578 new accounts over the course of the year, achieving a marginal increase in customer numbers and our products-per-customer has increased to 1.802 which continues an upward trend. Improving our products-per customer will continue be a particular focus for our staff in the coming year as we look to strengthen our relationships with our customer base.

I would like to thank all of my staff, Ali, Pauline, Jacky, Julie & Ashlee, for their hard work and commitment to making sure our customers are fully satisfied with the service they receive from our branch. I would also like to acknowledge the work done by our relief staff, Angie, Jack and Karen.

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**

**Narre Warren South Branch Manager**

# Tooradin & Coastal Villages Manager's report

---

For year ending 30 June 2013

Tooradin & Coastal Villages branch has now been open for four years. Once again I am pleased to report that we have continued to receive strong support from our customers and local the community.

Despite the challenging economic conditions that prevailed over the last 12 months we were able to grow our business by 28.8%. We achieved deposit growth of 21.4% and loan growth of 42%. Customer numbers grew to 952, which is an increase of 68 and account numbers grew to 1,500 which is an increase of 117 for the year.

This year we had a change to our branch team. Rhonda left to pursue other interests and we recently welcomed Sandi to our team. I would like to thank Lorna, Carol and Belinda for their continued effort to make Tooradin & Coastal Villages branch a success, and for the support they have provided to me and the high level of service they have provided to our customers. I would also like to acknowledge the great support we received from the business banking team in Leongatha and Richard Perry in particular.

I am looking forward to the coming year and I plan to continue to grow the business with the support of the branch staff, business bankers, region staff and the Board members.

I would like to thank the shareholders, customers and community groups that have supported the Tooradin & Coastal Villages branch over the last 12 months and the Directors of Community Financial Services Victoria Limited for their ongoing support.



**Shane Harris**

**Tooradin & Coastal Villages Branch Manager**



# Community engagements

## Community Financial Services Victoria Limited

OzChild

A Community VCAL program operating in Pakenham is supported by nine local **Community Bank**® branches. The program is run by OzChild and offers an alternative educational pathway for students that may be struggling in



the mainstream education system. The program is designed specifically for young people who are disengaged with the traditional educational system. Without a program such as this, these young people may not complete their high school education. The program is catered to real life learning that is relevant to everyday life and their interests. It gives these young people an opportunity to fulfil their ambitions whether that be through obtaining an apprenticeship or further study through Tafe or University. The Community VCAL program gives young people the support they need to achieve their goals.

### 2013 Scholarships

In February, we held our second presentation evening. The Scholarships supported five first-year and five second-year students with funding to help aid their tertiary education costs. These scholarships are to assist the academically outstanding students in our local branch areas with the costs associated with attending their respective universities.



To be eligible for a scholarship, students must demonstrate a very high academic achievement with acceptance into an appropriate tertiary course, demonstrate some community leadership and demonstrate a level of difficulty that would otherwise restrict them from not being able to complete their further study. The Directors feel strongly that **Community Bank**® scholarships are an invaluable way for the profits of the business to be distributed across our communities. By investing in education, we are investing in the future of our communities.

### Lang Lang Primary School Cooking Program

Lang Lang **Community Bank**® Branch Manager Sue Carson has become actively involved with students from Lang Lang Primary School and local community members in their School Cooking Program.

Each week, six children meet with Sue at the Lang Lang Memorial Hall kitchen to cook up a storm. Meals cooked range from Lasagne, 'bangers & mash' to Apple Pie. It gives the children an opportunity to not only sit at a dinner table and eat a meal, but also take the skills learnt home to their families and replicate the experience. It gives the children a sense of belonging and achievement upon completing the cooked meal.



## Community engagements (continued)

### Pearcedale South East Juniors

A partnership between Pearcedale **Community Bank**<sup>®</sup> Branch and South East Juniors has helped grow and service Junior Football in the southeast region. With the support from the **Community Bank**<sup>®</sup> branch, South East Junior Representatives are keen advocates for community involvement along with advertising the benefits of banking locally with the **Community Bank**<sup>®</sup> branch. Benefits to local clubs include reducing risk and cash management from local games and functions via using merchant facilities and online banking. Fostering Junior football within the region is important for the growth of Australia's game and South East Juniors are proud to be in partnership with the **Community Bank**<sup>®</sup> branch.



### Koo Wee Rup Defibrillator Unit in Bayles

Koo Wee Rup Branch Manager Richard Roach presented the Bayles community with a defibrillator unit this year. The small country town did not have a unit in the vicinity but through the support of the Koo Wee Rup branch and Defib Your Club for Life they have been able to secure the potentially life saving device. Research strongly suggests that public access defibrillators will in fact save lives and what better reason to have one available in all our local communities. Our community company has also provided assistance in getting defibrillators in our local recreations reserves of Lang Lang, Nyora, Catani, Pearcedale, Koo Wee Rup, Cora Lynn, Cardinia, Narre Warren South and Tooradin.



### Narre Warren South Narre Warren North & Narre Warren South Christmas Carols

Narre Warren South branch are major supporters of the annual Christmas Carols held in December in both the Narre Warren South & Narre Warren North communities. The Christmas Carols held in Narre Warren South offer Childrens' activities, Choir performances by both adults and children choirs and also a visit from Santa. The branch team look forward to the event each year as does special guest Piggy.



### Tooradin & Coastal Villages Tooradin Cricket Club

Branch Manager at Tooradin & Coastal Villages branch, Shane Harris has formed a relationship with the local Tooradin Cricket Club which is proving to be a long lasting one. Grants provided to the Tooradin Cricket Club have supported the purchase of training equipment and team uniforms. Fostering Junior cricket is important to keep the game growing and with the funding from Tooradin & Coastal Villages branch, the local cricket club are able to provide junior cricket free of charge to all players, which is extremely important to the growth and development of the Tooradin Cricket Club and its community.



# Directors' report

---

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

## 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

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

Occupation: Manufacturing Manager

Experience and expertise:

- Manager of engineering company
- Former 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

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

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

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

Occupation: Grazier

Experience and expertise:

- Member of Rotary Club

Special responsibilities:

- Asset Management Sub Committee

Interests in shares: 31,500 Ordinary Shares

# Directors' report (continued)

---

## Directors (continued)

### Glenister Malcolm McGregor

Director

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

- Finance & Budget Sub Committee

Interests in shares: 56,000 Ordinary Shares

### Dianne Lesley Loft

Director

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
- Youth Action Group

Interests in shares: Nil Ordinary Shares

### Michael Alan Bushe

Director (Appointed 25 October 2012)

Occupation: Builder

Experience and expertise:

- Registered Building Practitioner
- Certificate IV in Occupational Health & Safety.

Special responsibilities:

- Asset Management Sub Committee
- Business Growth Sub Committee

Interest in shares: Nil Ordinary Shares

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

## Company Secretary

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

## Principal Activities

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

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

## 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 2013 \$	Year ended 30 June 2012 \$
	120,634	180,983

# Directors' report (continued)

---

## Operating and Financial Review

### Operations

Community Financial Services Victoria Limited (the Company) is the franchisee for five **Community Bank**<sup>®</sup> branches of Bendigo Bank. The Company is responsible for the branches located in Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South and Tooradin & Coastal Villages. The businesses are operated through a franchise agreement between the Company and Bendigo Bank. Bendigo Bank are responsible for the day to day operations of the five branches including products and services, infrastructure, staff training and all relevant banking related decisions. Directors are not involved in the day to day banking operations to any degree and customer confidentiality and privacy is maintained at all times.

Revenue received by the Company from the operations of the businesses is split 50/50 between the Company and Bendigo Bank. From the 50% split received all expenses relating to the operations of the businesses, such as rent, wages, utilities are deducted from the income received. Profit after these expenses are deducted is what the Company is able to invest back into the local communities.

The vision of the Company is "To Help Build Better Communities". Directors are passionate about the future of the local communities and the relationship with each of the five **Community Bank**<sup>®</sup> branches. The Directors will continue to work in the best interests of the Company by establishing five profitable **Community Bank**<sup>®</sup> branches. The aim of the businesses is to be able to provide a sustainable income for the communities in which they are located. At present, four of the five branches are profitable, with Tooradin & Coastal Villages branch continuing to grow and hence inch closer to profit.

Investments back into the communities are by way of dividends to shareholders, grants and sponsorships to community groups, clubs and organisation. Each of the **Community Bank**<sup>®</sup> branches provide much more in terms of community investments than just cash contributions. The branches provide a focal point for the town, a central hub of activity and a strong sense of positive future for the towns. The branches provide five and a half days a week banking for townfolk and traders. They provide community marquees free of charge to community groups to support community functions. They provide community eftpos machines to community groups to enable electronic transactions at registration days, fetes and fundraising events. Lang Lang **Community Bank**<sup>®</sup> Branch has a fully serviced Boardroom made available to community groups. Each of the Branch Managers volunteer their time and expertise in office bearer positions for many local clubs and service groups, such as Traders and Business Groups, Rotary and Lions clubs. The branches provide a conduit for discussions with all level of government, particularly local government; City of Casey and Cardinia Shire. Community groups are able to liaise with the Company and Shire representatives about their projects to achieve the best possible financial and social outcomes. Partnerships are becoming increasingly stronger between local government, community organisations and the Company.

The results that the Company has achieved this year are consistent with Directors' expectations and in line with previous year's results. Operating revenue increased by \$171,978 to \$3,672,708 on the previous year. This is the 50% split of revenue made from the businesses.

Charitable donations, sponsorship, advertising and promotion, increased by \$125,716 on the previous year. This demonstrates an increased share of revenue being invested into community projects, grants, sponsorships and contributions to the Community Enterprise Foundation (the Foundation). The Foundation is the philanthropic arm of Bendigo Bank. All contributions to the Foundation are a tax effective means for the Company to consider future community projects. Projects in their infancy can be planned, partnerships formed, discussions with governments and key stakeholders undertaken whilst the Foundation administers the funds.

Key drivers of the business enabling Company revenue to continue to grow as expected are continued development of customer business from both existing and new relationships. Through the **Community Bank**<sup>®</sup> branches, Branch Managers and their branch teams continue to provide outstanding customer service which is consistent with Bendigo Bank's pledge to be Australia's leading customer connected bank. As each branch grows its share of business by assisting existing and new customers achieve their desired financial outcomes, the revenue will increase.

# Directors' report (continued)

---

## Operating and Financial Review (continued)

### Financial Position (as at 30 June 2013)

#### Assets

Total assets decreased by \$29,466 during the financial year ending 30 June 2013. Whilst cash balances increased by \$56,021 to \$543,281, intangible assets (including franchise fees) were amortised by \$55,769, while fixed assets were depreciated by \$36,555.

#### Liabilities

Total liabilities increased by \$25,670, due mainly to an increase in long service leave provisions. The Company is pleased to have a steady staffing compliment. Of the 27 employees at 30 June 2013, 11 had been with the Company for more than 5 years.

#### Equity & Dividends

Equity in the Company decreased by \$55,136 during the financial year due to the payment of a 24 cent fully franked dividend paid in December 2012, totalling \$175,770. This dividend was in excess of the current year earnings, resulting in the reduction in equity. In relation to the year ended 30 June 2012, the Company will pay a fully franked final dividend payment of 24 cents per share in December 2013. Both transactions were consistent with the Company's dividend policy.

### Discussion of Business Strategies

Business growth is the key driver of historical, current and future business success. The strategy of the Company is very much orientated around business growth. Yearly growth expectations are discussed and agreed upon by Bendigo Bank and the Directors and monitored closely by the Directors. Key examples of strategy in relation to business growth involves, but is not limited to, individual nature of the communities, management and branch teams personal development and training and relationship building opportunities.

The Company recognises the individuality of each of the **Community Bank**<sup>®</sup> branch townships. Each community is unique, with a diverse and rich history, identity and culture. The demographics are different, especially so with Narre Warren South lying South East of Melbourne in a densely populated residential estate. Lang Lang, Pearcedale, Koo Wee Rup and Tooradin are also more traditional small rural locations. The Directors appreciate this individuality and hence encourage and support the Branch Managers and branch teams to become part of their communities to understand the needs of their communities.

This is relevant to business strategy, in particular business growth strategies and areas of business growth. The difference in the communities means that business growth opportunities between the communities are different. For example, in the rural communities who have an agricultural history and culture, business growth strategies may target farmers and the associated industries through business banking and rural banking products. Narre Warren South is densely residential and hence home loan markets may be stronger. Marketing strategies around home loan promotion may be more active in Narre Warren South as a result of this. The Directors are able to set marketing strategies around these different demographics and community needs based on information provided by the management team.

Branch Managers and their branch teams are closely monitored in terms of personal development and training. The Directors strongly encourage the continued participation in Bendigo Bank training courses. When areas requiring upskilling are recognized, conversations with the Regional Manager will identify the most appropriate means of training to be undertaken. This encourages a continuum of development for staff and hence succession planning. The knowledge required by Managers and branch teams to adequately fulfil their roles in providing banking services to the customers is immense. With knowledgeable branch teams, customers can have their financial needs fulfilled and the Company should see an increase in market share.

# Directors' report (continued)

---

## **Operating and Financial Review (continued)**

### Discussion of Business Strategies (continued)

The Company provides opportunities to strengthen relationships with existing and new customers via several key activities. Support for these activities by customers has been very well received and it is a special way the Company can recognise and thank their customers for the support. A complimentary marquee at the Pakenham Cup hosting 120 people, AFL tickets at Etihad stadium and a gala Community Grants function are examples of these special activities. These programs are run via the branch network offering Managers and branch teams the opportunity to interact with their customers.

Business strategies for business growth have been successful this last financial year showing an overall growth in business of \$43 million across the 5 sites. The Directors will continue to develop and encourage this strategy and activities there from.

### Prospects for Future Financial Years

Prospects for future financial years are expected to be consistent with past years' results. The Directors are confident the business will continue to grow in a competitive financial industry.

Funding for all banks is expensive and likely to remain so, there is strong competition for retail deposits, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure. These factors continue to place pressure on the 50/50 margin share agreement between Bendigo Bank and its **Community Bank**<sup>®</sup> partners. As a result some **Community Bank**<sup>®</sup> companies were (and still are) receiving much more than 50 per cent, as did the Company. Bendigo Bank has conducted a staged approach to restoring this balance. Bendigo Bank will continue to review this remuneration model with its partners to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment. The Directors accept that an imbalanced 50/50 margin share split requires adjustment and have worked with its partner, Bendigo Bank for an equitable and reasonable outcome and will continue to do so into the future.

The Directors recognise that customer behaviours are changing from historical branch based banking to the new electronic banking. Hence, Directors have encouraged their branches to develop an 'on line presence' via social media and the Bendigo Bank website. This will assist the branches to connect with existing and new customers in a different way to traditional face to face relationships and hold the Company in good stead for future growth.

The Company has a strong focus on governance and good business practice. Good governance in relation to branch practices mitigates risk for loss and bad debts to the Company. The Directors will continue to oversee good governance and business practice in future years. The Company has always had high expectations compliance standards through the **Community Bank**<sup>®</sup> branches. This high standard is expected in adherence to Bendigo Bank Policy and Procedure practices. The Directors monitor good practice through Branch Visitation and Branch Lending Results, Branch Audits and Branch Mystery Shopper Results. These reports are conducted by and provided to the Company by Bendigo Bank. Customer confidentiality is maintained at all times. These results have been of a very high standard throughout this last financial year and the Directors expect this to continue in future financial years.

## **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.

# Directors' report (continued)

---

## Remuneration Report (continued)

### Key Management Personnel Remuneration (continued)

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 was 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 \$2,500 for general Director remuneration.

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 2013 financial year Tania was paid \$57,671 (2012: \$57,883) and was provided with the use of a company car. Tania also received \$2,500 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 2013, the directors received total remuneration, as follows:

	Amount \$
Michael John Duff	2,500
Gordon Douglas Smale	2,500
Tania Lyn Hansen	2,500
Maxwell William Papley	2,500
Douglas Hugh Hamilton	2,500



# Directors' report (continued)

## Remuneration Report (continued)

### Directors Fees (continued)

	Amount \$
Maxwell Arthur John Kneebone	2,500
Glenister Malcolm McGregor	2,500
Diane Lesley Loft	2,500
<b>Total</b>	<b>20,000</b>

### Community Bank® Directors Privileges Package

Community Financial Services Victoria Limited has accepted the **Community Bank®** 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 2013

No options have been issued as part of remuneration for the year ended 30 June 2013.

### Dividends

	Year Ended 30 June 2013	
	Cents	\$
Dividends paid in the year:		
- As recommended in the prior year report	24	175,770

### 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' report (continued)

### 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' 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	9	8	3	-	2	2	-	-	1	-	2	1
Gordon Douglas Smale	9	9	-	-	2	2	-	-	-	-	2	1
Tania Lyn Hansen	9	9	3	3	2	2	-	-	1	1	2	2
Maxwell William Papley	9	9	-	-	2	2	-	-	-	-	1	1
Douglas Hugh Hamilton	9	7	3	3	-	-	-	-	-	-	-	-
Maxwell Arthur John Kneebone	9	7	-	-	-	-	-	-	1	-	-	-
Glenister Malcolm McGregor	9	8	3	3	-	-	-	-	-	-	2	1
Dianne Lesley Loft	9	7	-	-	-	-	-	-	1	1	-	-
Michael Alan Bushe (Appointed 25 October 2012)	5	4	-	-	1	1	-	-	-	-	-	-

A - Eligible to attend B - Number attended

# Directors' report (continued)

---

## **Non Audit Services**

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

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

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

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

## **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 19.

Signed in accordance with a resolution of the board of directors at Lang Lang on 19 September 2013.



**Michael John Duff,**  
**Chairman**

# Auditor's independence declaration



## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Community Financial Services Victoria Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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.

A handwritten signature in black ink, appearing to read 'Graeme Stewart', is written over a light blue horizontal line.

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

Dated: 19 September 2013



# Financial statements

---

## Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	3,672,708	3,500,730
Employee benefits expense		(1,657,631)	(1,565,039)
Charitable donations, sponsorship, advertising and promotion		(921,644)	(795,928)
Occupancy and associated costs		(285,548)	(259,957)
Systems costs		(113,739)	(131,068)
Depreciation and amortisation expense	5	(130,036)	(138,067)
General administration expenses		(384,919)	(371,976)
<b>Profit before income tax expense</b>		<b>179,191</b>	<b>238,695</b>
Income tax expense	6	(58,557)	(57,712)
<b>Profit after income tax expense</b>		<b>120,634</b>	<b>180,983</b>
<b>Total comprehensive income for the year</b>		<b>120,634</b>	<b>180,983</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	22	16.47	24.71

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	543,281	487,260
Trade and other receivables	8	278,923	281,084
Current tax asset	12	17,786	15,178
<b>Total Current Assets</b>		<b>839,990</b>	<b>783,522</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	406,587	443,142
Financial assets	10	50,000	50,000
Intangible assets	11	317,018	372,787
Deferred tax assets	12	47,731	41,341
<b>Total Non-Current Assets</b>		<b>821,336</b>	<b>907,270</b>
<b>Total Assets</b>		<b>1,661,326</b>	<b>1,690,792</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	209,947	205,005
Provisions	14	116,665	111,769
<b>Total Current Liabilities</b>		<b>326,612</b>	<b>316,774</b>
<b>Non-Current Liabilities</b>			
Provisions	14	45,533	29,701
<b>Total Non-Current Liabilities</b>		<b>45,533</b>	<b>29,701</b>
<b>Total Liabilities</b>		<b>372,145</b>	<b>346,475</b>
<b>Net Assets</b>		<b>1,289,181</b>	<b>1,344,317</b>
<b>Equity</b>			
Issued capital	15	607,871	607,871
Retained earnings	16	681,310	736,446
<b>Total Equity</b>		<b>1,289,181</b>	<b>1,344,317</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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

	Issued Capital \$	Retained Earnings \$	Total Equity \$
<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>
<b>Balance at 1 July 2012</b>	<b>607,871</b>	<b>736,446</b>	<b>1,344,317</b>
<b>Total comprehensive income for the year</b>	-	<b>120,634</b>	<b>120,634</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(175,770)	(175,770)
<b>Balance at 30 June 2013</b>	<b>607,871</b>	<b>681,310</b>	<b>1,289,181</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		4,025,690	3,780,733
Payments to suppliers and employees		(3,716,608)	(3,483,911)
Interest received		23,050	21,716
Interest paid		(16)	-
Income taxes paid		(62,613)	(68,207)
<b>Net cash provided by operating activities</b>	<b>17</b>	<b>269,503</b>	<b>250,331</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(37,712)	(25,449)
<b>Net cash used in investing activities</b>		<b>(37,712)</b>	<b>(25,449)</b>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(175,770)	(194,080)
<b>Net cash used in financing activities</b>		<b>(175,770)</b>	<b>(194,080)</b>
<b>Net increase in cash held</b>		<b>56,021</b>	<b>30,802</b>
Cash and cash equivalents at the beginning of the financial year		487,260	456,458
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>543,281</b>	<b>487,260</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

---

For year ended 30 June 2013

## 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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

# Notes to the financial statements (continued)

---

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

### a) Basis of Preparation (continued)

#### Economic dependency - Bendigo and Adelaide Bank Limited

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

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**<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)

---

## 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 (i.e. '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 and February 2013 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)

---

## 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)

---

## 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)

---

## 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)

---

## 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)

---

## 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 2013 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.

	2013 \$	2012 \$
<b>Note 4. Revenue from Ordinary Activities</b>		
Operating activities:		
- services commissions	3,650,229	3,479,168
- other revenue	-	1,219
<b>Total revenue from operating activities</b>	<b>3,650,229</b>	<b>3,480,387</b>
Non-operating activities:		
- interest received	22,479	20,343
<b>Total revenue from non-operating activities</b>	<b>22,479</b>	<b>20,343</b>
<b>Total revenues from ordinary activities</b>	<b>3,672,708</b>	<b>3,500,730</b>

## Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
<b>Note 5. Expenses</b>			
Depreciation of non-current assets:			
- improvements, plant and equipment		46,055	55,593
- motor vehicles		28,212	26,705
Amortisation of non-current assets:			
- franchise fee and franchise renewal fee		55,769	55,769
		<b>130,036</b>	<b>138,067</b>
<b>Bad debts</b>		<b>5,937</b>	<b>4,008</b>

## Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		64,947	86,381
- Movement in deferred tax		(6,390)	(9,973)
- Adjustments to tax expense of prior periods		-	(18,696)
		<b>58,557</b>	<b>57,712</b>

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

Operating profit		179,191	238,695
Prima facie tax on profit from ordinary activities at 30%		53,757	71,609
Add tax effect of:			
- non-deductible expenses		4,800	4,799
- timing difference expenses		6,390	9,973
- other deductible expenses		-	-
		<b>64,947</b>	<b>86,381</b>
Movement in deferred tax	12	(6,390)	(9,973)
Adjustment to tax expense of prior periods		-	(18,696)
		<b>58,557</b>	<b>57,712</b>

## Note 7. Cash and Cash Equivalents

Cash at bank and on hand		189,883	151,027
Term deposits		353,398	336,233
		<b>543,281</b>	<b>487,260</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
--	------------	------------

### Note 7. Cash and Cash Equivalents (continued)

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	189,883	151,027
Term deposits	353,398	336,233
	<b>543,281</b>	<b>487,260</b>

### Note 8. Trade and Other Receivables

Trade receivables	256,641	270,740
Prepayments	22,282	10,344
	278,923	281,084

### Note 9. Property, Plant and Equipment

#### Improvements, plant and equipment

At cost	748,474	735,588
Less accumulated depreciation	(427,271)	(381,218)
	<b>321,203</b>	<b>354,370</b>

#### Motor Vehicles

At cost	159,025	134,201
Less accumulated depreciation	(73,641)	(45,429)
	<b>85,384</b>	<b>88,772</b>

<b>Total written down amount</b>	<b>406,587</b>	<b>443,142</b>
----------------------------------	----------------	----------------

#### Movements in carrying amounts:

##### Plant and equipment

Carrying amount at beginning	354,371	405,511
Additions	12,887	4,453
Disposals	-	-
Less: depreciation expense	(46,055)	(55,593)
<b>Carrying amount at end</b>	<b>321,203</b>	<b>354,371</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
<b>Motor Vehicles</b>		
Carrying amount at beginning	88,771	93,262
Additions	24,825	38,268
Disposals	-	(16,054)
Less: depreciation expense	(28,212)	(26,705)
<b>Carrying amount at end</b>	<b>85,384</b>	<b>88,771</b>
<b>Total written down amount</b>	<b>406,587</b>	<b>443,142</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	133,141	133,140
Less: accumulated amortisation	(105,461)	(105,832)
	<b>27,680</b>	<b>27,308</b>

### Renewal processing fee

At cost	225,706	225,706
Less: accumulated amortisation	(154,876)	(98,735)
	<b>70,830</b>	<b>126,971</b>

### Goodwill

At cost	218,508	218,508
<b>Total written down amount</b>	<b>317,018</b>	<b>372,787</b>

## Note 12. Tax

### Current:

<b>Income tax refundable</b>	<b>17,786</b>	<b>15,178</b>
------------------------------	---------------	---------------

## Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 12. Tax (continued)		
<b>Non-Current:</b>		
<b>Deferred tax assets</b>		
- employee provisions	48,659	42,441
	<b>48,659</b>	<b>42,441</b>
<b>Deferred tax liability</b>		
- accruals	928	1,100
- deductible prepayments	-	-
	<b>928</b>	<b>1,100</b>
<b>Net deferred tax asset</b>	<b>47,731</b>	<b>41,341</b>
<b>Movement in deferred tax charged to statement of comprehensive income</b>	<b>(6,390)</b>	<b>(9,973)</b>

### Note 13. Trade and Other Payables

Trade creditors	209,715	184,566
Other creditors and accruals	232	20,439
	<b>209,947</b>	<b>205,005</b>

### Note 14. Provisions

<b>Current:</b>		
Provision for annual leave	62,880	60,171
Provision for long service leave	53,785	51,598
	<b>116,665</b>	<b>111,769</b>
<b>Non-Current:</b>		
<b>Provision for long service leave</b>	<b>45,533</b>	<b>29,701</b>

### Note 15. Contributed Equity

732,375 Ordinary shares fully paid (2012: 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)

---

## 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**<sup>®</sup> branch 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 227 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.

	2013 \$	2012 \$
<b>Note 16. Retained Earnings</b>		
Balance at the beginning of the financial year	736,446	749,543
Net profit from ordinary activities after income tax	120,634	180,983
Dividends paid or provided for	(175,770)	(194,080)
<b>Balance at the end of the financial year</b>	<b>681,310</b>	<b>736,446</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	120,634	180,983
Non cash items:		
- depreciation	74,267	82,299
- amortisation	55,769	55,768
- profit on disposal of non-current assets	-	(1,219)

## Notes to the financial statements (continued)

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>Note 17. Statement of Cashflows (continued)</b>		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,161	(32,986)
- increase in current tax assets	(8,998)	(522)
- increase in deferred tax assets	-	(9,973)
- increase/(decrease) in payables	4,942	(49,516)
- increase in provisions	20,728	25,497
<b>Net cashflows provided by operating activities</b>	<b>269,503</b>	<b>250,331</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	223,525	178,306
- between 12 months and 5 years	250,450	473,975
- greater than 5 years	-	-
	<b>473,975</b>	<b>652,281</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. Auditor's Remuneration

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

- audit and review services	6,250	6,550
- share registry services	2,398	1,610
- non audit services	2,157	2,050
	<b>10,805</b>	<b>10,210</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  
Michael Alan Bushe (Appointed 25 October 2012)

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 2013 financial year Community Financial Services Victoria Limited made payments of \$93,400.44 (2012: \$82,542.27) 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 2013 financial year Community Financial Services Victoria Limited made payments to Larmax Trading of \$1,132.32 (2012: \$2,894.86). Director Max Papley is the owner of Larmax Trading. The purchase was made on normal commercial terms.

During the 2013 financial year Community Financial Services Victoria Limited made payments to John Duff & Co of \$10,132.83 (2012: \$14,339.84) 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.

<b>Directors Shareholdings</b>	<b>2013</b>	<b>2012</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	31,500	52,500
Glenister Malcolm McGregor	56,000	56,000
Dianne Lesley Loft	-	-
Michael Alan Bushe (Appointed 25 October 2012)	-	-

There was no movement in directors' shareholdings during the year. Related party interest is no longer applicable to 21,000 shares previously attributed to Maxwell Kneebone

## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 21. Dividends paid or Provided</b>		
<b>a. Dividends paid during the year</b>		
<b>100% (2012: 100%) franked dividend for the year ended 30 June 2013 of 24 cents (2012: 26.5 cents)</b>	<b>175,770</b>	<b>194,080</b>
<b>b. Dividends proposed and not recognised as a liability</b>		
Current year final dividend		
100% (2012: 100%) franked dividend - 24 cents (2012: 24 cents) per share	175,550	175,770
The tax rate at which dividends have been franked is 30% (2012: 30%).		
Dividends proposed will be franked at a rate of 30% (2012: 30%).		
<b>c. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	433,565	414,357
- franking debits that will arise from income tax refundable as at the end of the financial year	(17,786)	(15,178)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>491,109</b>	<b>399,179</b>
- 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	(75,330)
<b>Net franking credits available</b>	<b>340,449</b>	<b>323,849</b>

## Note 22. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	120,634	180,983
	<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.

# Notes to the financial statements (continued)

## 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®** 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	
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Lang Lang	799,089	796,997	3,933	44,586	286,326	314,894
Pearcedale	932,134	898,688	149,763	151,095	200,124	207,846
Koo Wee Rup	783,965	721,511	65,080	75,831	103,515	120,347
Narre Warren South	805,755	771,574	20,192	62,419	139,890	162,752
Tooradin	351,764	311,959	(118,334)	(152,948)	65,104	98,920
Unallocated	-	-	-	-	494,222	439,558
<b>Total</b>	<b>3,672,708</b>	<b>3,500,729</b>	<b>120,634</b>	<b>180,983</b>	<b>1,289,180</b>	<b>1,344,317</b>

## 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.

# Notes to the financial statements (continued)

## Note 27. Financial Instruments (continued)

### 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					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
<b>Financial Assets</b>												
Cash and cash equivalents	189,883	151,027	353,398	336,233	-	-	-	-	-	-	3.05	3.47
Receivables	-	-	-	-	-	-	-	-	278,923	281,084	N/A	N/A
<b>Financial Liabilities</b>												
Payables	-	-	-	-	-	-	-	-	209,948	205,004	N/A	N/A

# Directors' declaration

---

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2013 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 19th of September 2013.

# Independent audit report



## Independent auditor's report to the members of Community Financial Services Victoria Limited

### Report on the financial report

We have audited the accompanying financial report of Community Financial Services Victoria Limited, which comprises the balance sheet as at 30 June 2013, 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 51 961 795 037.

P: (03) 5443 0344

F: (03) 5443 5304

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

[afs@afsbendigo.com.au](mailto:afs@afsbendigo.com.au)

[www.afsbendigo.com.au](http://www.afsbendigo.com.au)

# Independent audit report (continued)

---

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

## 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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart  
Andrew Frewin Stewart  
61 Bull Street Bendigo Vic 3550

Dated: 19 September 2013

# NSX report

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 19 September 2013.

## 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.

## 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	4.10
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



# NSX report (continued)

---

## Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
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  
Phone: (03) 5997 5019

The principal administrative office of the company is located at:

29 Westernport Road,  
Lang Lang VIC 3984  
Phone: (03) 5997 5019

## Security register

The security register (share register) is kept at:

61-65 Bull Street,  
Bendigo VIC 3550  
Phone: (03) 5443 0344

## Company Secretary

Tania Hansen has been the Company Secretary of Community Financial Services Victoria Limited 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.

# NSX report (continued)

---

## 5 Year summary of performance

	<b>2009</b> \$	<b>2010</b> \$	<b>2011</b> \$	<b>2012</b> \$	<b>2013</b> \$
Gross revenue	2,655,777	3,035,327	3,341,709	3,500,730	3,672,708
Net profit before tax	420,119	417,627	298,882	238,695	179,191
Total assets	1,426,550	1,581,521	1,727,908	1,690,792	1,661,326
Total liabilities	295,062	298,051	370,494	346,475	372,145
Total equity	1,128,499	1,286,459	1,357,414	1,344,317	1,289,181









Lang Lang **Community Bank**<sup>®</sup> Branch  
 29 Westernport Road, Lang Lang VIC 3984  
 Phone: (03) 5997 5019  
[www.bendigobank.com.au/langlang](http://www.bendigobank.com.au/langlang)

Pearcedale **Community Bank**<sup>®</sup> 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)

Franchisee: Community Financial Services Victoria Limited  
 Registered Address:  
 29 Westernport Road, Lang Lang VIC 3984  
 Phone: (03) 5997 5019  
 ABN: 51 092 756 351  
[www.bendigobank.com.au](http://www.bendigobank.com.au)  
 (BMPAR13016) (07/13)

