

Canterbury **Community Bank®** Branch
Ashburton **Community Bank®** Branch
Surrey Hills **Community Bank®** Branch
Balwyn **Community Bank®** Branch



annual report **2012**

Canterbury Surrey Hills
Community Finance Limited

ABN 96 099 590 593

Contents

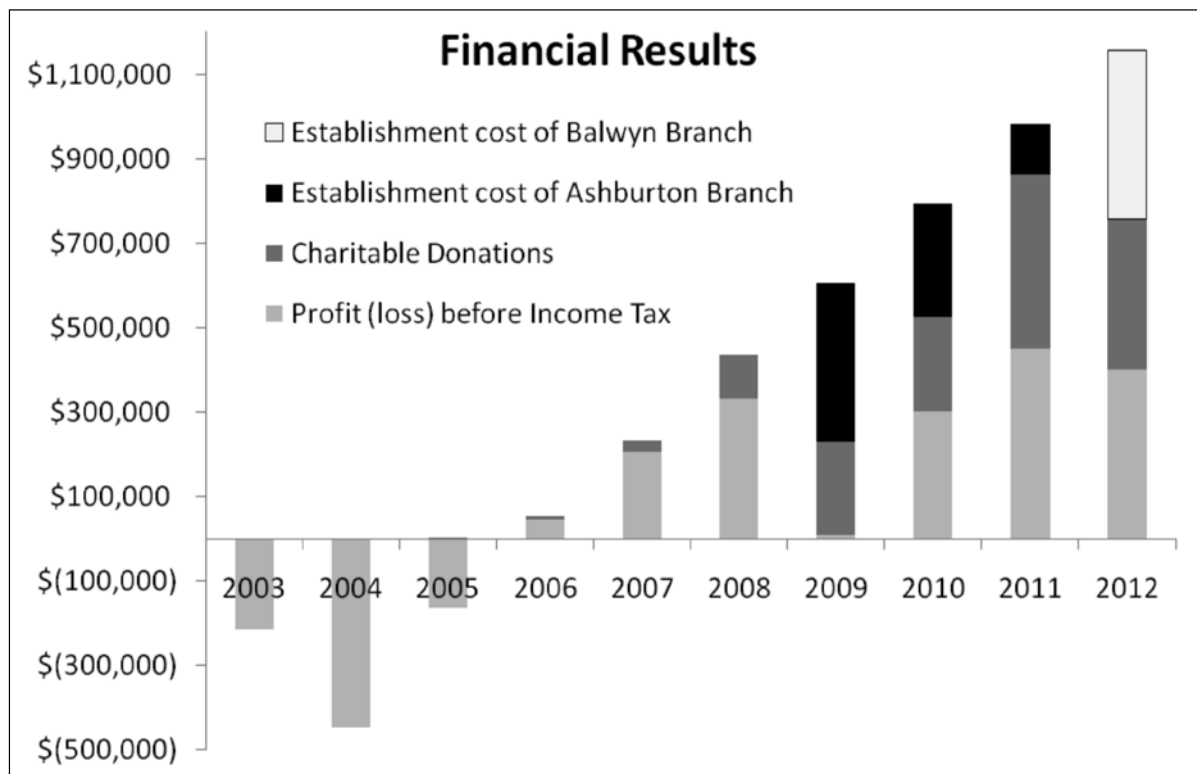
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Chairman's report

For year ending 30 June 2012

It is with great pleasure that we bring you our tenth Annual Report.

In the chart below, we show the progress of our profitability since we established ten years ago and how we have invested in both the local community and in our own Company by establishing the **Community Bank**[®] branches in Ashburton and Balwyn. Notwithstanding the global financial concerns and a significantly tighter retail banking market in recent years, we have continued to grow our business and income at very respectable rates.



Last November, we opened our fourth **Community Bank**[®] branch in Balwyn. The campaign was reasonably short and very well supported by quite a number of residents associated with our sponsored organisations in Balwyn. I thank Greg McKie who chaired the Balwyn Committee and the many other members for their time and commitment.

We have announced that we have joined a group of local residents from Hawthorn to establish a branch near the corner of Burwood Road & Power Street in Hawthorn. With our assistance, the campaign has gathered pace with new business already adding to our revenues.

Our principal difference from other financial institutions is that a major portion of our profits is invested back into community organisations in our areas of operation. We have now provided over \$1.9 million in sponsorship and incentive payments to more than 200 not-for-profit organisations.

As part of our sponsorship program, we aim to establish partnerships with our sponsored organisations that benefit both the organisation and our Company. We will contribute to those organisations year after year, provided those organisations help us to attract new banking business from their members. As our business increases, we are able to hand out even more to our partners.

During 2012/13, we intend to spread this message of increasing our community support to our potential customer base. Even with our very significant sponsorships, both in number and amounts, there are many potential customers who do not know our story and the benefits we provide. We will arrange a number of community forums where we will

Chairman's report (continued)

seek input from our communities as to where we should make community investments and to explain the many great community activities that we have supported and propose to support.

Over the next few years, we are looking to support much larger projects. Larger projects that provide better community facilities, greater exposure for the work that we do and the services we provide, and create a sense that banking with us provides better outcomes. This strategy aims to achieve value for all our stakeholders over an extended period, not just in the short term.

This year's great results could not have been possible without the dedication of our staff, very well led by Nick Coker, our Senior Manager. The performance of our branches features very well in the hierarchy of the **Community Bank®** network. We thank all of our Managers and staff for their dedication and their efforts to grow our business.

The support from Bendigo and Adelaide Bank has again been at the highest level. Without the foresight and continued tremendous support of the staff of Bendigo Bank, we would not exist.

During the year, your Board has spent much time in reviewing our performance to determine how we can do even better in the future. The Board is considering how the Company should be structured to make the second ten-year period of the Company a greater success and what resources will be required to do that. Our Company has grown significantly in the last ten years – we now have over 20 staff, four branches and a turnover in excess of \$3 million. Our challenge is to keep improving each particular part of the business.

This is a comprehensive and mature approach to the management of the Company and I thank each of the Directors for their contributing dedication, skills, knowledge and time to the Company. Our Board maintains a high standard and the longer terms results are reflective of this ongoing support.

During the year, we appointed Geoff Rowles as Director. Geoff comes to us with great knowledge in Company administration and has been our Company Secretary for some time.

I would like to ask all shareholders and others who do not bank with us to at least come in to our branches. This is our Company and we have great staff. I am confident we can offer you a service that is comprehensive and better than other providers.

I also thank the ongoing support of our shareholders. You should be proud of your Company and what it is able to offer your community.



Dick Menting
Chairman

Senior Manager's report

For year ending 30 June 2012

The 2012 financial year was another busy year of milestones, activities and changes across our network:

- Balwyn **Community Bank**[®] Branch opened its doors on the 18 November 2011
- Canterbury and Surrey Hills **Community Bank**[®] branches entering their tenth years
- Ashburton **Community Bank**[®] Branch in its fourth year
- Sponsorships and grants reaching over \$1.9 million (as at the Annual Report date).

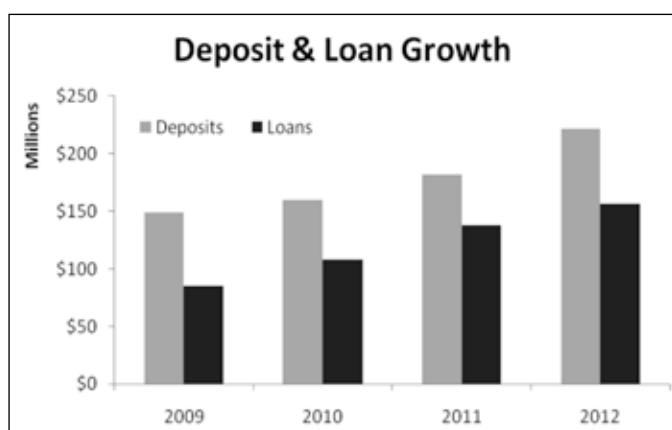
The strengths of our business model continue to provide impressive results and importantly our community program is proving to be a key tool to providing lasting benefits for shareholders, community and staff.

Despite an increased competitive environment for retail banking, the business continued to grow, reaching total footings of \$378 million (up \$54 million for the 12-month period, representing 16% growth). Our growth is a story of building on our connection within the community. Over 200 organisations and clubs benefitted from sponsorship, with more than \$1.9 million invested into our community since 2003.

Deposits for the group increased by \$37 million (over 20%), to just over \$222 million, in a very competitive environment, compared to the 13% for the previous year.

Lending increased by \$17 million (over 8%) to a level of \$156 million. This part of the business has the highest margin income for the group and an area that we will continue to focus on in the year ahead.

Across the group account numbers continued to grow with an additional 790 for the year, a little down on the previous year. This brings our total accounts to 10,573 and total customers to 6,482.



Branches and staff:

The opening of Balwyn **Community Bank**[®] Branch created additional staffing opportunities, while there was a transfer of banking business from existing branches to Balwyn by those customers who found the Balwyn **Community Bank**[®] Branch more convenient. This included new business written during the campaign to open the Balwyn **Community Bank**[®] Branch.

Lorelle Richter moved across to the new Balwyn site as Manager from Ashburton and Fiona Kerr moved to Ashburton as Manager from Surrey Hills. It was very pleasing to welcome Aaron Knott to the leadership team as the new Manager of Surrey Hills. His promotion to Branch Manager is a credit to the previous success of this branch and our continued focus to up skill our people. For Craig Pitt, Manager Canterbury **Community Bank**[®] Branch it was business as usual.

Canterbury **Community Bank**[®] Branch had an exceptional result with deposit growth and also continued to grow their lending book, ending up with total business on the books of just over \$127 million.

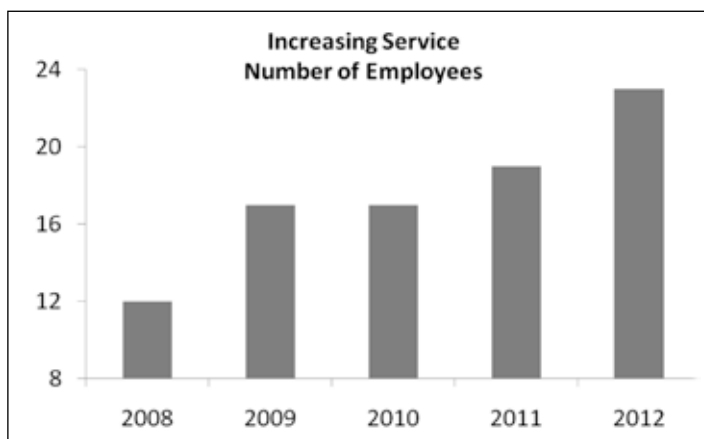
Ashburton **Community Bank**[®] Branch increased its book to \$66 million in banking business as at the end of the year. This reflected improved lending growth, showing positive signs for the future.

Senior Manager's report (continued)

Surrey Hills **Community Bank**[®] Branch continued to show some great lending activity throughout the year with a total book now of \$146 million. Aaron Knott has settled in well to his new role.

Balwyn **Community Bank**[®] Branch has now been opened for just over seven months and all staff have settled in well to this new community. This book sits at \$38 million as at the end of the year.

My personal thanks go to the Branch Managers Fiona Kerr, Lorelle Richter, Aaron Knott and Craig Pitt for their focus and drive throughout the year. Importantly, I thank and acknowledge all our staff that over the past 12 months have delivered great service to our customers and demonstrated a real passion to assist our community partners. With over 23 staff located throughout our branches the business continues to invest in developing our people and providing further opportunities to grow.



I also acknowledge the great support from Michael Petering, Regional Manager and his team from Bendigo and Adelaide Bank.

Board support:

The Board of Directors have provided continuing support to me and to the staff and we are very grateful for this. Without their dedication we would not have achieved the results recorded for the year. Our Directors continue to embrace and enhance the community connections that have become a major part of the success of this Company.

Summary:

Our community investments continue to grow, with more than \$1.9 million invested back to the local community by way of grants and sponsorships to date. We have been able to expand the service offering to our community with an additional branch and we are encouraged with the prospect that our ongoing success benefits so many people. We are aware, however, that this can only be achieved with ongoing support of our local businesses, customers, shareholders and community groups.

I congratulate all of our shareholders and customers for the real impact that they have made by supporting this **Community Bank**[®] concept. It is all of you that have delivered this impressive investment into the local community.

I therefore urge all our staff, Directors, shareholders, customers, community groups and clubs to encourage your friends and families to support Canterbury, Ashburton, Surrey Hills and Balwyn **Community Bank**[®] branches. Your continued support of our bank is providing much needed support to our community.

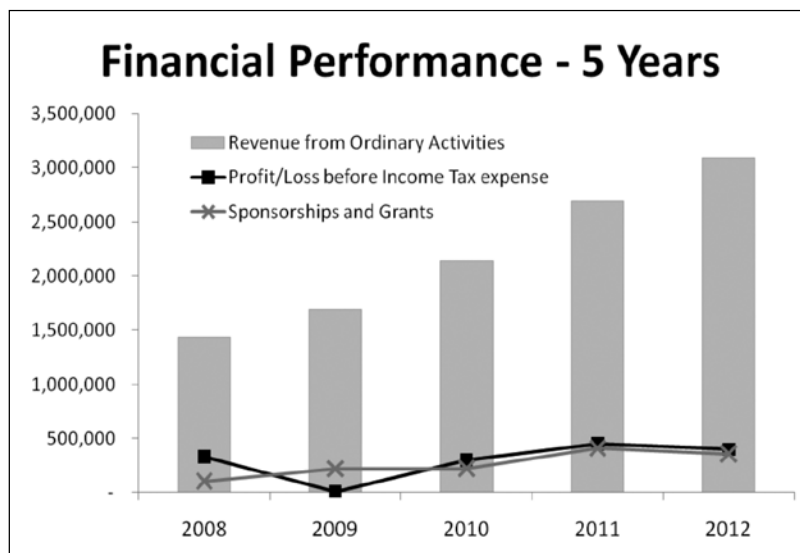
Nick Coker
Senior Manager

Treasurer's report

For year ending 30 June 2012

Operating results

This year saw an increase in Gross Revenue of 14.4% to a milestone of over \$3 million (\$3,087,911). The profit after income tax expense of \$273,006 (2011: \$309,118) reflects a reduction in profit by 11.7%. Considering the costs incurred to open the Balwyn **Community Bank®** Branch in November 2011, this result was ahead of budget and pleasing in a very tight retail banking market. Opening a new branch takes considerable time and resources to establish and immediately increased the costs for the Company. The size of the Company enabled the costs of the additional branch to be quickly absorbed and the impact on the result for the year was minimized. Sponsorships paid were reduced by 12.9% on the previous year to \$356,647(2011: \$409,594).



Dividends

The Company paid a dividend of 6 cents per share based on the performance of the 2011 financial year. This takes total cumulative shareholder returns to 33 cents per share since the Company commenced in 2002. This return has been compounded by the Company issuing bonus shares to shareholders on two separate occasions (1 for 1 on 22 October 2008 and 1 for 10 on 1 September 2011).



The Directors have determined that a dividend be paid for the 2012 year of 5 cents per share. This dividend is to be paid on 10 October 2012.

Juliann Byron
Treasurer

Governance report

For year ending 30 June 2012

This section sets out the main features of the corporate governance framework for Canterbury Surrey Hills Community Finance Limited (“the Company”). The Company places great importance on its governance framework, adopting a proactive approach to ensure the structures, values and behaviours of the Company have the interests of its stakeholders as a focus.

Corporate structure review

The Board undertook a review of the Company’s strategic goals in May 2011 and as part of that review, the Board considered how the Corporate Structure contributed to achieving those strategic goals.

The Company has determined that an enhanced executive role is required to develop the Company and the opportunities available to it in the near term. The Board asked the Audit and Governance Committee to consider and make recommendations to the Board on the governance structure.

The report prepared for the Board during this process, which was adopted on 26 April 2012 (“Corporate Structure Review”), covers the following broad topics:

- Roles and obligations of the Chairman, Directors and a CEO;
- Roles and structure of Board Committees;
- Conflicts of Interest policies, standing orders and delegations;
- Performance evaluation and succession strategies.

The Company is now implementing this Corporate Structure Review.

Board of Directors

The Board has adopted a policy that provides the following functions and responsibilities will remain the responsibility of the Board of Directors:

- Review and approval of corporate strategies, the annual budget and financial plans;
- Overseeing and monitoring the performance and achievement of the strategic objectives by the organisation;
- Monitoring financial performance;
- Appointment and assessment of the performance of the CEO and individual Directors;
- Review and monitoring of the Risk Management Systems for the Company.

The Board has established a number of committees (see below) to assist and advise it on specific matters.

There are currently eight Directors on the Board. Details of the current Board members and their backgrounds, together with the number of meetings each Director has attended during the year are set out in the Directors’ Report.

It is the Board’s policy that a majority of its Directors are independent.

Board performance review

The Corporate Structure Review has established a policy for future reviews of the Board’s performance. This procedure will be implemented in the future. The broad policy will require:

- The Audit and Governance Committee to prepare a review of the Board as a whole when called on by the Chairman;
- The Chairman and the Chair of the Audit and Governance Committee to review the performance of the Committees annually;

Governance report (continued)

Board performance review (continued)

- The Chairman to meet with each Director annually to review the Directors personal performance;
- The Chairman and the Chair of the Audit and Governance Committee to review the performance of the CEO and report to the Board on this assessment.

Role of the Chairman

The Chairman is responsible for a range of defined roles that deal with leadership of the Board and the Company generally. The principal role is to facilitate effective discussion at Board meetings of material relevant to the conduct of the Company.

The Chairman must be an independent, non-executive Director. It is the intention of the Board that the role of Chairman and CEO must not be held by the same person.

Role of the Managing Director and CEO

The CEO will provide leadership to programs that broadly deal with the following issues:

- Implementation of strategy
- Business growth
- Asset management
- Business services
- Communications and Community Relations
- Operations and Maintenance
- People and Safety

Company Secretaries

The appointment of Company Secretaries is a matter for the Board. Information regarding the current secretaries is contained in the Directors' Report.

Committees of the Board

The Board currently has six committees:

- Finance Committee
- Sponsorship & Marketing Committee
- Audit & Governance Committee
- Staff Committee
- Asset Management Committee
- Nominations Committee

The Board has plans to reduce the number of Committees once a CEO has been appointed.

Finance Committee

The Finance Committee has been established by the Board with a written terms of reference that requires it to review, monitor and report on:

- Finance strategy and direction
- Financial performance and reporting
- Financial risk
- Investments
- Shareholders rights

Governance report (continued)

Finance Committee (continued)

The members of the Finance Committee are set out in the Directors' Report, including the number of meetings held and attended.

Sponsorship & Marketing Committee

The Sponsorship and Marketing Committee has been established by the Board with a written terms of reference that requires the Committee to:

- Facilitate the distribution of funds generated by the business activities to the community through two distinct processes: by evaluating grant applications and also by the commercial use of sponsorship to foster business growth;
- Position our branches as the primary choice of the community for local banking, reassuring the community that these branches provide equivalent or better services to those of the other major banks;
- Create awareness of, and goodwill towards, the Company from the community by promoting the benefits the bank gives back to the community.

The members of the Sponsorship and Marketing Committee are set out in the Directors' Report, including the number of meetings held and attended.

The Sponsorship and Marketing Committee has established three sub-committees by charter:

- Signage & Marketing Tools Sub-Committee, which is tasked with managing the image, signage and promotional material for the Company;
- Communications and Publicity Sub-Committee, which is responsible for the preparation and presentation of all external communications with stakeholders;
- Sponsorship Sub-Committee, which is responsible for reviewing and assessing all sponsorship and grant applications from community groups.

The Sponsorship Sub-Committee is empowered to approve sponsorships and grants up to \$5,000. Applications for more than this amount must be considered by the entire Sponsorship and Marketing Committee. Applications over \$20,000 must be approved by the Board of Directors on the recommendation of the Sponsorship and Marketing Committee.

Audit & Governance Committee

The Audit & Governance Committee has been established by the Board with a written terms of reference that requires the Committee to:

- Monitor the activities of the Company
- Review the Company's processes, personnel and systems as it decides is appropriate from time to time;
- Recommend to the Board any changes to its process, personnel or systems considered appropriate;
- Assist, review and monitor the external Auditors performance.

The Audit & Governance Committee sets an agenda of the issues it will review each year and submits these for comment and discussion to the Board.

The members of the Audit & Governance Committee are set out in the Directors' Report, including the number of meetings held and attended.

Staff Committee

The Staff Committee has been established by the Board with a written terms of reference that requires the Committee to monitor and implement the Boards responsibilities in the management of the employees of the Company.

Governance report (continued)

Staff Committee (continued)

The Committee liaises with and provides direction to the Senior Manager to review staff performance, assess remuneration and create a set of employment policies for the staff.

The Corporate Structure Review has determined that a CEO will assume some of the responsibilities of the Staff Committee and that the CEO will report on these responsibilities to the Board.

The members of the Staff Committee are set out in the Directors' Report, including the number of meetings held and attended.

Asset Management Committee

The Asset Management Committee has been established by the Board with a written terms of reference that requires the Committee to monitor the condition of, and ensure the maintenance of, all leased, rented and owned equipment.

The Corporate Structure Review has determined that a CEO will assume some of the responsibilities of the Asset Management Committee and that the CEO will report on these responsibilities to the Board.

The members of the Asset Management Committee are set out in the Directors' Report, including the number of meetings held and attended.

Nominations Committee

The Board has established a standing Nominations committee to assist it to review and assess potential candidates for Directorship. This committee meets as and when instructed by the Board.

The Board has established a separate CEO Nominations Committee with the specific purpose of recruiting a CEO for the Company. This Committee has a written terms of reference.

Code of conduct

The Corporate Structure Review identified the roles and obligations of the Directors. This promotes ethical, considered and independent judgment of the matters before the Board. It highlights the statutory obligations on Directors generally and also sets out the expectations that are placed on Directors in terms of the time dedicated to the Company's affairs.

Shareholder communications

The Company aims to provide timely and relevant information to shareholders throughout the year. The Company releases a number of Newsletters which are sent directly to shareholders. It also writes directly to shareholders when the Board considers information is sufficiently important.

The Company takes advice from its Secretary at each meeting on the need to make disclosures to the market in order to comply with the Continuous Disclosure requirements of the Corporations Act. These disclosures are published on the NSX website at:

http://www.nsx.com.au/announcements_list.asp?nsxcode=CSH

The Company provides a range of additional material on its website at:

<http://www.supportingourcommunity.com.au/>

Risk management

The Company is creating a formal Risk Management System ("RMS") to identify and record the various risks to the Company and its business. This system is managed by the Audit & Governance Committee.

The RMS is based on the international standard ISO 31000-2009 Risk Management.

Governance report (continued)

Risk management (continued)

Bendigo and Adelaide Bank ("Bendigo"), as the franchisor to the Company, provides support and tools for the development of the RMS. Bendigo also provides an internal audit system for the operational risks to each branch and reports the results of these audit visits to the Senior Manager and the Board. The Audit & Governance Committee monitor these reports and the implementation of any recommended changes.

Remuneration policies

The remuneration policies of the Company are the responsibility of the entire Board and are considered by the entire Board, unless the discussion relates to the remuneration of an individual, who is absent from those discussions.

Political donations

The terms of reference for the Sponsorship and Marketing Committee prohibit that committee to consider donations, grants or sponsorship for political or religious purposes, except in limited circumstances (such as fetes or events for the purposes of tolerance and understanding).

The Company has made no political donations during the 2012 financial year.

Sponsored organisations

Sponsored group – 2011/12	Amount
3 WBC radio	\$2,015
AAC Public Tenants Group Inc	\$5
Alkira	\$65
Angel Babies Foundation	\$2,050
Anglican Church of St Paul	\$500
Ashburton Bowls Club	\$1,530
Ashburton Community Centre	\$4,125
Ashburton Primary School	\$1,185
Ashburton Support Services	\$25
Ashburton Traders Association	\$4,635
Ashburton United Junior Football Club	\$20
Ashburton Uniting Tennis Club	\$2,000
Ashburton Willows Cricket Club	\$3,000
Ashburton Women's Soccer Club	\$4,010
Ashwood Netball Club	\$3,000
Atoms Basketball Club	\$1,095
Auburn Bowls Club	\$3,160
Australian Youth Band	\$550
Balwyn Cricket Club	\$3,250
Balwyn Traders Association Inc	\$5,500
Balwyn Welfare Centre	\$5
BassCare	\$6,178
Boroondara Cricket Club	\$8,000
Boroondara Hawks Junior Football Club	\$2,065
Boroondara Netball Association	\$5
Boroondara Park Primary School	\$1,100
Box Hill / Whitehorse Hockey Club	\$10,000
Box Hill Ballet Association	\$500
Box Hill RSL	\$2,045
Box Hill Tennis Club	\$30
BUGS Gymnastics	\$3,300
Bulleen Cricket Club	\$5,855
Burke and beyond	\$520

Sponsored group – 2011/12	Amount
Burwood Cricket Club	\$3,500
Burwood District Bowls Club	\$60
Burwood Tennis Club	\$345
Burwood Traders Association	\$1,500
Burwood Uniting Canterbury Cricket Club	\$10
Camberwell Central Bowls Club	\$3,790
Camberwell Hockey Club	\$3,060
Camberwell Lacrosse	\$1,260
Camberwell Sharks Jnr Football Club	\$335
Camberwell South Netball Club	\$1,200
Camberwell United Tennis Club	\$2,200
Canterbury Council of Churches	\$500
Canterbury Cricket Club	\$630
Canterbury Football Club	\$555
Canterbury Girls Secondary College	\$545
Canterbury Junior Chess Club Inc.	\$10
Canterbury Junior Football Club	\$4,000
Canterbury Tennis Club	\$5
Ceres Calisthenics Club Inc.	\$500
Chatham Primary School	\$275
Deepdene Bears Cricket Club	\$3,300
Deepdene Uniting Cricket Club	\$30
East Malvern Golf Club	\$10
Eastern Cricket Umpires Association	\$2,000
Eastern Football League	\$22,000
Eastern Lions Soccer Club	\$4,300
Edar	\$250
Elgar Park Cricket Club	\$1,000
Eltham District Horse and Pony Club	\$1,500
Fintona Girls School	\$20
First Balwyn Scout Group	\$1,500
First Glen Iris Scouts Group	\$1,500

Sponsored organisations (continued)

Sponsored group – 2011/12	Amount
Florence Road Pre School	\$25
Friends of Back Creek	\$10
Glen Iris Cricket Club	\$4,115
Hartwell Childcare Association	\$770
Hawthorn Amateur Football Club	\$6,465
Hawthorn Basketball Association	\$5
Hawthorn Cricket Club	\$5,380
Hawthorn Rowing Club	\$5,500
Interchange Inner East	\$20
Life Education Victoria	\$5
Lions Club of Box Hill	\$1,500
Maling Rd Traders Association	\$11,000
Marcellin Old Collegians Association	\$3,000
Mont Albert Cricket Club	\$8,613
North Balwyn Combined Cricket Club	\$3,000
North Balwyn Cricket Club	\$3,000
North Balwyn Tennis Club	\$1,613
Old Camberwell Grammarians Football Club	\$250
Old Scotch Collegians	\$5
Old Trinity Grammarians Amateur Football Club	\$530
Our Holy Redeemer Primary School	\$1,035
Playstation Inc	\$4,200
Riversdale Soccer Club	\$964
Rotary Club of Balwyn	\$10
Rotary Club of Box Hill Central	\$1,250
Rotary Club of Box Hill Inc	\$3,000
Rotary Club of Camberwell	\$13,205
Rotary Club of Glenferrie	\$3,520
Rotary Club of Kew on Yarra	\$1,100
Rotary Club of Mont Albert & Surrey Hills	\$1,355

Sponsored group – 2011/12	Amount
Rowen Street Kindergarten	\$1,500
Samarinda Lodge	\$1,360
Solway Primary School	\$20
South Camberwell Basketball Club	\$3,000
South Yarra Football Club	\$995
St Barnabas Cricket Club	\$3,000
St Kevins Old Collegians Cricket Club	\$1,500
St Michael's Primary School	\$25
STC South Camberwell Cricket Club	\$3,055
Strathcona Baptist Girls Grammar	\$7,700
Surrey Hills Cricket Club	\$3,020
Surrey Hills Ladies Probus Club	\$135
Surrey Hills Neighbourhood Centre	\$125
Surrey Hills Primary School	\$80
Surrey Park Football Club	\$3,345
Surrey Park Junior Football Club	\$2,000
Surrey Park Lacrosse	\$315
Surrey Park Swimming Club	\$3,335
The Edge Community Fund Inc	\$1,950
Trinity Willison Cricket Club Inc	\$3,760
Victorian Dog Obedience Club	\$35
Wattle Park Primary School	\$115
Waverley Hockey Club	\$3,300
305 Army Cadet Unit	\$5
Canterbury Cougars Basketball Club	\$20
Lac Viet Performance Group	\$5
Mont Albert Traders Association	\$90
Total	\$271,248

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the Company for the financial year ended 30 June 2012.

Directors

The names of Directors who held office during the year and until the date of this report are:

Director	Experience	Committee memberships
Hans Diederick Menting Chairman – Non Executive BCom, MBA(Melb), AICD	Banking, finance & administration for 35 years. Small business owner/operator & Councillor.	Member – Staff Committee Member – Sponsorship & Marketing Committee Member – Finance Committee
Robert Einar Stensholt Deputy Chairman – Non Executive BA, BD(Hons), M Int. Law, Dip. Phil	Director of consulting Company Former State MP, senior research fellow, Ass. Dir. Gen. AusAID, Diplomat, Teacher	Chairman – Staff Committee Chairman – Sponsorship & Marketing Committee Member – Finance Committee
Juliann Ruth Byron Treasurer – Non Executive BCom, Grad Dip CM, FCPA, FAICD, ACIS, FTIA	Finance, Company Secretary, management & governance. Director of Western Health & Victorian Cytology Service.	Chairman – Finance Committee Member – Audit & Governance Committee Member – CEO Nominations Committee
Damien Leo Hudson Non Executive Director	10 years experience in real estate & management	Chairman – Asset Management Committee Member – Sponsorship & Marketing Committee Member – CEO Nominations Committee
Trevor Roland Kempton Non Executive Director Resigned 26 July 2011	Small business owner, business management & marketing.	Member – Sponsorship & Marketing Committee
Leigh Warren Smith Non Executive Director	Business owner, business management experience. Director of Allsmith Pty Ltd, Goulburn Motor Group (Vic) Pty Ltd, Goulburn Motor Group (Vic) Properties Pty Ltd, Quatro Grande Pty Ltd, Quatro Grande Properties Pty Ltd.	Member – Sponsorship & Marketing Committee Member – Finance Committee Member – CEO Nominations Committee

Directors' report (continued)

Directors (continued)

Director	Experience	Committee memberships
Gordon Lennox McFarlane Non Executive Director Cert Bus (Acc), BBus, CPA, MBA(Swinburne) JP in Victoria	Executive Melbourne Water. Business management, finance, contract management, governance.	Chairman – Audit & Governance Committee Chairman – CEO Nominations Committee Member – Asset Management Committee Member – Sponsorship & Marketing Committee
John James Grace Non Executive Director FAIM FCSA	Former General Manager of Catholic Schools Provident Fund, Current General Manager of Steam Teamwear Pty Ltd	Member – Sponsorship & Marketing Committee Member – Staff Committee Member – CEO Nominations Committee
Geofery Leslie Rowles Non Executive Director BBus, PDM, MBA, GradDipACG, FCPA, MAICD, FFin Appointed 26 April 2012	Tax Agent, Director and Secretary of public and private companies, Managing Director of Principled Mortgage Investments Ltd	Member – Audit & Governance Committee Company Secretary

Directors were in office for the entire period unless otherwise stated.

Review and results of operations

The net profit of the Company for the financial period was \$273,006 (2011: \$309,118).

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.

Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank®** services under management rights to operate four franchised branches of Bendigo and Adelaide Bank in Canterbury, Surrey Hills, Ashburton and Balwyn, Victoria.

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

Significant events after the balance date

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 providing banking services to the community.

Directors' report (continued)

Dividends

A dividend of 6 cents per share was paid in the year ended 30 June 2012 (2011: 5 cents). The Directors have determined that a dividend of 5 cents per share will be paid for the 2012 year on 10 October 2012.

Share options

The Company has granted no options on unissued shares at any time.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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.

Company Secretary

The Company Secretaries at 30 June 2012 were:

Director	Qualifications	Experience
Juliann Ruth Byron	BCom, Grad Dip CM, FCPA, FAICD, ACIS, FTIA	Experienced Director and Company Secretary of public companies.
Geofery Leslie Rowles	BBus, PDM, MBA, GradDipACG, FCPA, MAICD, FFin	Experienced Director and Secretary of public companies.

Directors' meetings

During the financial year, the Directors conducted the following number of meetings for the Board as a whole and each committee (listed together with the attendance record of each Director). Attendances by each Director during the year were as follows:

	Directors' meetings	
	Eligible	Attended
Hans Diederick Menting	11	11
Robert Einar Stensholt	11	8
Juliann Ruth Byron	11	11
Damien Leo Hudson	11	9
Trevor Roland Kempton	0	0
Leigh Warren Smith	11	9
Gordon Lennox McFarlane	11	10
John James Grace	11	11
Geofery Leslie Rowles	11	11

Directors' report (continued)

Directors' meetings (continued)

	Audit & Governance Committee		Finance Committee		Marketing & Sponsorship Committee		Staff Committee		Asset Management Committee		CEO Nominations Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Hans Diederick Menting		1	10	10	9	8	4	4				
Robert Einar Stensholt			10	10	9	9	4	4				
Juliann Ruth Byron	8	8	10	10							1	1
Damien Leo Hudson					8	6			3	3	1	0
Trevor Roland Kempton	0	1										
Leigh Warren Smith			10	4	9	6					1	1
Gordon Lennox McFarlane	8	8			9	5			3	3	1	1
John James Grace					9	8	4	4			1	1
Geofery Leslie Rowles	8	8										

Directors' interests

The Directors hold the following interests in the Company:

	Number of shares held	
	Directly	Indirectly
Hans Diederick Menting	8,702	0
Robert Einar Stensholt	20,350	0
Juliann Ruth Byron	9,800	0
Damien Leo Hudson	14,082	0
Leigh Warren Smith	44,000	0
Gordon Lennox McFarlane	2,750	0
John James Grace	5,000	0
Geofery Leslie Rowles	3,800	1,100

Non-audit services

The amount paid or payable to the Auditor (Richmond Sinnott & Delahunty) for non-audit services provided during the year ended 30 June 2012 was \$17,834 (2011: \$8,878).

The Directors are satisfied that the provisions of non-audit services by the Auditor 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 & Governance Committee to ensure they do not impact on the impartiality and objectivity of the Auditor; and
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' report (continued)

Remuneration report

a) Policies

Prior to the 2011 Annual General Meeting (AGM), Directors could receive a fee from a remuneration pool. Office holders of the Board and committee Chairperson's could receive higher fees than other Directors. These payments were made in recognition of the work undertaken by Directors that would otherwise be carried out by paid executive staff and/or professional service providers, and therefore are not contingent upon Company performance.

The determination of individual Board member payments were made by the Board after considering the relative workloads involved. Directors could elect to not receive any payments.

At the 2011 AGM, the shareholders resolved to alter the Director Remuneration arrangements so that all Directors were paid a fixed fee depending on the role they occupied.

An allowance was paid to some Directors and an Officer to cover expenses incurred on behalf of the Company. The total paid in allowances for the year was \$2,500 (2011: \$7,000).

The remuneration of the Senior Manager has been split into two parts. The first is a base salary that is not contingent upon Company performance. The second is a bonus, the quantum of which is determined by the Staff Committee after a review of the performance of the Company and various Key Performance Indicators (KPI) set by the Staff Committee for the Senior Manager. All remuneration is made on a cash basis.

The KPIs for the Senior Manager are aligned to business growth indicators such as increase, on a per branch basis, of loans, deposits and other business, taking into account the relative returns to the Company of each product line. Other KPIs include community engagement and conversion of business from that engagement.

The Company did not engage any remuneration consultants in reviewing its remuneration structure for the 2012 financial year. From 1 July 2011, public companies have additional reporting obligations if they receive a 'no' vote of 25% or higher at their previous Annual General Meeting (AGM). At the 2011 AGM, the Company recorded a 'no' vote of 0.00% on its remuneration report.

b) Directors' remuneration

Director remuneration for the year ended 30 June 2012 is set out in the table below. For the purpose of Section 300A(1)(c), the amount of each prescribed detail is nil unless set out in the table:

	Short term employee benefits		Post employment benefits
	Cash salary	Bonuses	Superannuation
Hans Diederick Menting	21,000	0	0
Robert Einar Stensholt	7,500	0	0
Juliann Ruth Byron	10,000	0	0
Damien Leo Hudson	4,500	0	0
Trevor Roland Kempton	0	0	0
Leigh Warren Smith	4,000	0	0
Gordon Lennox McFarlane	4,500	0	0
John James Grace	4,000	0	0
Geofery Leslie Rowles	2,500	0	0

Directors' report (continued)

Remuneration report (continued)

c) Officers' remuneration

Nicholas Coker is employed under an ongoing contract. The period of notice required under the contract to terminate the employment is four weeks.

	Short term employee benefits		Post employment benefits
	Cash salary	Bonuses	Superannuation
Nicholas Coker	\$122,722	\$8,716	\$18,545

End of Remuneration Report.

Additional information

In accordance with National Stock Exchange Listing Rule 6.9, the Company provides the following information as at 30 June 2012:

- (a) The principal activities of the Company are described above.
- (b) The Company does not have any subsidiary companies.
- (c) The interest of each Director in the Company are set out above.
- (d) The Accounts presented with this report do not differ materially from the forecast results provided in the Prospectus issued on 20 September 2011.
- (e) There are no service contracts for Directors.
- (f) There were no significant contracts either during or at the end of the financial year in which a Director was materially interested.
- (g) There are no arrangements under which a Director has waived or agreed to waive any emoluments.
- (h) There are no arrangements under which a shareholder has waived or agreed to waive any dividends.
- (i) Comparative table of financial results

	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
Profit & loss					
Revenue from operating activities	3,087,658	2,698,576	2,141,558	1,691,616	1,432,702
Total expenses	-2,688,579	-2,247,222	-1,840,924	-1,681,148	-1,102,222
Profit from ordinary activities before income tax expense	399,079	451,354	300,634	10,468	330,480
Income tax expense	126,073	142,236	83,043	11,359	108,576
Not profit/loss after tax	273,006	309,118	217,591	-891	221,904
Net profit/loss attributable to shareholders	273,006	309,118	217,591	-891	221,904

Directors' report (continued)

Additional Information (continued)

(i) Comparative table of financial results (continued)

	2012 \$	2011 \$	2010 \$	2009 \$	2008 \$
Balance sheet					
Current assets	1,324,968	1,293,365	998,199	680,287	673,019
Non-current assets	727,503	417,321	468,720	542,555	190,606
Total assets	2,052,471	1,710,686	1,466,919	1,222,842	863,625
Current liabilities	251,935	262,454	198,261	171,775	109,209
Non-current liabilities	-	-	-	-	-
Total liabilities	251,935	262,454	198,261	171,775	109,209
Shareholders' funds	1,800,536	1,448,232	1,268,658	1,051,067	754,416

Earnings per share (in cents)	0.10	0.12	0.08	0.00	0.20
Dividends per share (in cents)	0.06	0.05	0.00	0.00	0.02
Net assets value per share (in cents)	0.69	0.56	0.49	0.41	0.69
Price earnings ratio	5.00	4.17	5.63	0.00	6.25

(j) The Treasurer's report is contained at page 6.

(k) The Corporate Governance report is contained at page 7.

(l) The following table shows the ten largest shareholders:

Shareholder	Number of shares
Adrienne Leslie Murray	110,000
Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund A/C>	87,560
Richard Everritt Thorne	55,000
Kevin Francis McCormack	55,000
Richard Middleton <Marpjz Super Fund A/C>	44,000
Leigh Smith & Felicity Smith <EB Investment Fund A/C>	44,000
Wayne Austen & Erica Austen	41,800
John Henry Anderson & Patricia Noreen Anderson	33,000
KDB Pty Ltd	23,100
Chesterfield Super Pty Ltd <R & C Daly Superannuation Fund>	22,000

Directors' report (continued)

Auditor independence declaration



Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsd advisors.com.au
www.rsd advisors.com.au

3rd September 2012

The Directors
Canterbury Surrey Hills Community Finance Limited
143 Mailing Road
CANTERBURY VIC 3126

To the Directors of Canterbury Surrey Hills Community Finance Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

A handwritten signature in black ink, appearing to read 'P. P. Delahunty'.

P. P. Delahunty
Partner

Dated at Bendigo, 3rd September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:	
Warren Sinnott	Philip Delahunty
Cara Hall	Kathie Teasdale
Brett Andrews	David Richmond

Signed in accordance with a resolution of the Directors in Melbourne on 3 September 2012.

A handwritten signature in black ink, appearing to read 'Hans Diederick Menting'.

Hans Diederick Menting,
Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	2	3,087,658	2,698,576
Employee benefits expense	3	(1,440,578)	(1,151,858)
Depreciation and amortisation expense	3	(108,649)	(78,596)
Other expenses		(782,705)	(607,174)
Operating profit before charitable donations & sponsorships		755,726	860,948
Charitable donations and sponsorship		(356,647)	(409,594)
Profit before income tax expense		399,079	451,354
Income tax expense	4	126,073	142,236
Net Profit for the year		273,006	309,118
Other comprehensive income		-	-
Total comprehensive income for the year		273,006	309,118
Earnings per share (cents per share)			
- basic for profit for the year	22	8.85	11.93
- diluted for profit for the year	22	8.85	11.93

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	6	612,405	554,644
Receivables	7	712,563	738,721
Total current assets		1,324,968	1,293,365
Non-current assets			
Property, plant and equipment	8	557,492	293,273
Intangible assets	9	170,011	124,048
Total non-current assets		727,503	417,321
Total assets		2,052,471	1,710,686
Liabilities			
Current liabilities			
Payables	10	160,560	148,803
Current tax liability	11	40,257	78,710
Provisions	12	51,118	34,941
Total current liabilities		251,935	262,454
Total liabilities		251,935	262,454
Net assets		1,800,536	1,448,232
Equity			
Issued capital	13	1,536,989	1,302,239
Retained earnings	14	263,547	145,993
Total equity		1,800,536	1,448,232

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,389,791	2,783,647
Cash payments in the course of operations		(2,857,943)	(2,427,977)
Interest received		29,972	28,882
Income tax paid		(164,526)	(85,950)
Net cash flows provided from operating activities	15b	397,294	298,602
Cash flows from investing activities			
Payments for property, plant and equipment		(310,642)	(1,000)
Payments for intangible assets		(108,189)	(26,197)
Net cash flows (used in) from investing activities		(418,831)	(27,197)
Cash flows from financing activities			
Proceeds from issue of share capital		234,750	-
Dividends paid		(155,452)	(129,544)
Net cash flows (used in) financing activities		79,298	(129,544)
Net increase in cash held		57,761	141,861
Cash and cash equivalents at start of year		554,644	412,783
Cash and cash equivalents at end of year	15a	612,405	554,644

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	2012 \$	2011 \$
Issued capital			
Balance at start of year		1,302,239	1,302,239
Issue of share capital		234,750	-
Balance at end of year		1,536,989	1,302,239
Retained earnings			
Balance at start of year		145,993	(33,581)
Profit after income tax expense		273,006	309,118
Dividends paid	21	(155,452)	(129,544)
Balance at end of year		263,547	145,993

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Canterbury Surrey Hills Community Finance Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 3 September 2012.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Plant & equipment	7.5 - 100%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) 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 Statement of Financial Position. 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 ATO are classified as operating cash flows.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

(h) Cash

Cash on hand and in banks are stated at nominal value.

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.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the Company's financial statements.

(l) Loans and borrowings

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

(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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(n) Share capital

Issued and paid up capital is 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) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The Company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The Company assesses impairment at the end of each reporting period by calculating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

	2012 \$	2011 \$
Note 2. Revenue		
Revenue from continuing activities		
- services commissions	3,057,939	2,669,694
	3,057,939	2,669,694
Other revenue		
- interest received	29,719	28,882
- other revenue	-	-
	29,719	28,882
	3,087,658	2,698,576

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	1,154,171	916,450
- superannuation costs	101,836	85,299
- workers' compensation costs	6,333	5,196
- other costs	178,238	144,912
	1,440,578	1,151,858
Depreciation of non-current assets:		
- plant and equipment	46,423	32,674
Amortisation of non-current assets:		
- intangible assets	62,226	45,922
	108,649	78,596
Bad debts	1,237	1,420

Note 4. Income tax expense

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

Prima facie tax on profit before income tax at 30%	119,827	135,406
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	6,246	6,830
Current income tax expense	126,073	142,236
Income tax expense	126,073	142,236

Note 5. Auditors' remuneration

Revenue from continuing activities

- Audit or review of the financial report of the Company	3,900	3,900
- Prospectus and valuation costs	4,500	-
- Share registry costs	13,334	8,878
	21,734	12,778

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 6. Cash and cash equivalents

Cash at bank and on hand	612,405	554,644
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Note 7. Receivables

Accrued income	307,081	256,509
Deposits	54,571	54,571
Prepayments	350,911	427,641
	712,563	738,721

Note 8. Property, plant and equipment

Plant and equipment

At cost	1,074,874	764,232
Less accumulated depreciation	(517,382)	(470,959)
Total written down amount	557,492	293,273

Movements in carrying amounts

Plant and equipment

Carrying amount at beginning of year	293,273	324,947
Additions	310,642	1,000
Disposals	-	-
Depreciation expense	(46,423)	(32,674)
Carrying amount at end of year	557,492	293,273

Note 9. Intangible assets

Franchise fee

At cost	234,810	224,810
Less accumulated amortisation	(203,213)	(177,054)
	31,597	47,756

Preliminary expenses

At cost	339,922	241,733
Less accumulated amortisation	(201,508)	(165,441)
	138,414	76,292
	170,011	124,048

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 10. Payables		
PAYG withholding	11,740	18,752
Other creditors and accruals	148,820	130,051
	160,560	148,803

Note 11. Current tax liabilities

Current tax payable	40,257	78,710
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Note 12. Provisions

Employee benefits	51,118	34,941
Movement in employee benefits		
Opening balance	34,941	25,767
Additional provisions recognised	46,764	31,445
Amounts utilised during the year	(30,587)	(22,271)
Closing balance	51,118	34,941

Note 13. Share capital

1,092,062 Ordinary shares fully paid to \$1 each	1,092,062	1,092,062
Return of capital of 10 cents per share	(196,571)	(196,571)
1,092,062 Bonus shares issued for no consideration	-	-
406,748 Ordinary shares fully paid to \$1 each	406,748	406,748
259,085 Bonus shares issued for no consideration	-	-
234,750 Ordinary shares fully paid to \$1 each	234,750	-
	1,536,989	1,302,239
Movement in ordinary shares		
Balance at beginning of year	2,590,872	2,590,872
Bonus issue 1:10 shares	259,085	-
Issued capital- Balwyn branch capital	234,750	-
Balance at end of year	3,084,707	2,590,872

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 14. Retained earnings		
Balance at the beginning of the financial year	145,993	(33,581)
Profit after income tax	273,006	309,118
Dividend paid during the year	(155,452)	(129,544)
Balance at the end of the financial year	263,547	145,993

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash at bank and on hand	612,405	554,644
---------------------------------	----------------	----------------

(b) Reconciliation of profit/(loss) after tax to net cash provided from operating activities

Profit/(loss) after income tax	273,006	309,118
Non cash items		
- Depreciation	46,423	32,674
- Amortisation	62,226	45,922
Changes in assets and liabilities		
- (Increase) decrease in receivables	26,158	(153,305)
- Increase (decrease) in payables	11,505	(1,267)
- Increase (decrease) in provisions	16,177	9,174
- Increase (decrease) in income tax payable	(38,453)	56,286
Net cash flows provided from operating activities	397,042	298,602

Note 16. Director and related party disclosures

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

Hans Diederick Menting
 Robert Einar Stensholt
 Damien Leo Hudson
 Juliann Ruth Byron
 Leigh Warren Smith
 Gordon Lennox McFarlane
 John James Grace
 Geofery Leslie Rowles

Other than detailed below no Director or related entity has entered into a material contract with the Company.

Notes to the financial statements (continued)

Note 16. Director and related party disclosures (continued)

At the 2011 AGM, the shareholders resolved to alter the Director Remuneration arrangements so that all Directors were paid a fixed fee depending on the role they occupied.

An allowance was paid to some Directors and an Officer to cover expenses incurred on behalf of the Company.

Director remuneration for the year ended 30 June 2012:

	Primary benefits	
	Salary & fees 2012 \$	Salary & fees 2011 \$
Hans Diederick Menting	21,000	21,000
Robert Einar Stensholt	7,500	2,500
Damien Leo Hudson	4,500	2,000
Juliann Ruth Byron	10,000	10,000
Leigh Warren Smith	4,000	-
Gordon Lennox McFarlane	4,500	2,000
John James Grace	4,000	500
Geoff Rowles	2,500	-

Directors' shareholdings	2012	2011
Hans Diederick Menting	8,702	7,002
Robert Einar Stensholt	20,350	18,500
Damien Leo Hudson	14,082	12,802
Juliann Ruth Byron	9,800	8,000
Leigh Warren Smith	44,000	40,000
Gordon Lennox McFarlane	2,750	2,500
John James Grace	5,000	-
Geoff Rowles	4,900	-

The movement in shareholdings relate to the 1:10 bonus issue during the year and the purchase of share capital in relation to the opening of the Balywn **Community Bank®** Branch.

Notes to the financial statements (continued)

Note 17. Corporate information

Canterbury Surrey Hills Community Finance Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

Registered office	Principal places of business
143 Maling Road, Canterbury VIC 3126	Surrey Hills Community Bank [®] Branch 107 Union Road, Surrey Hills VIC 3127
	Canterbury Community Bank [®] Branch 143 Maling Road, Canterbury VIC 3126
	Ashburton Community Bank [®] Branch 241 High Street, Ashburton VIC 3147
	Balwyn Community Bank [®] Branch 411 Whitehorse Road, Balwyn VIC 3103

Note 18. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 19. Contingent liabilities and assets

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

Note 20. Operating segments

The Company operates in the financial services sector where it provides banking services to its clients. The Company operates in one geographic area being City of Boroondara, Victoria. The Company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 21. Dividends paid or proposed for on ordinary shares

(a) Dividends paid during the year

Final franked dividend for the year ended 30 June 2012 of 6 cents (2011: 5 cents)	155,452	129,544
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(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	166,767	68,522
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	17,253	78,710
	184,020	147,232

The tax rate at which dividends have been franked is 30%.

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	273,006	309,118
Weighted average number of ordinary shares for basic and diluted earnings per share	3,084,707	2,590,872

Notes to the financial statements (continued)

Note 23. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 \$	2011 \$
Financial assets			
Cash & cash equivalents	6	612,405	554,644
Receivables	7	712,563	738,721
Total financial assets		1,324,968	1,293,365
Financial liabilities			
Payables	10	160,560	148,803
Total financial liabilities		160,560	148,803

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the Company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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

The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2012 \$	2011 \$
Cash and cash equivalents	612,405	554,644
Receivables	712,563	738,721
	1,324,968	1,293,365

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

None of the assets of the Company are past due (2011: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the Company has established an overdraft facility of \$700,000 with Bendigo and Adelaide Bank.

Financial liability and financial asset maturity analysis

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2012				
Financial liabilities due for payment				
Payables	160,560	160,560	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	160,560	160,560	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	612,405	612,405	-	-
Receivables	712,563	712,563	-	-
Total anticipated inflows	1,324,968	1,324,968	-	-
Net (outflow)/inflow on financial instruments	1,485,528	1,485,528	-	-

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total \$	Within 1 year \$	1 to 5 years \$	Over 5 years \$
30 June 2011				
Financial liabilities due for payment				
Payables	(148,803)	(148,803)	-	-
Loans and borrowings	-	-	-	-
Total expected outflows	(148,803)	(148,803)	-	-
Financial assets - cashflow realisable				
Cash & cash equivalents	554,644	554,644	-	-
Receivables	738,721	738,721	-	-
Total anticipated inflows	1,293,365	1,293,365	-	-
Net (outflow)/inflow on financial instruments	1,144,562	1,144,562	-	-

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at June 30 2012 and June 30 2011.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2012 \$	2011 \$
Fixed rate instruments		
Financial assets	551,460	500,000
Financial liabilities	-	-
	551,460	500,000

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2012 \$	2011 \$
Floating rate instruments		
Financial assets	60,945	54,644
Financial liabilities	-	-
	60,945	54,644

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The Company has no exposure to fluctuations in foreign currency.

(d) Price risk

The Company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The Company does not have any unrecognised financial instruments at year end.

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 Statement of Financial Position.

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 23. Financial risk management (continued)

Capital management (continued)

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

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

Directors' declaration

In accordance with a resolution of the Directors of Canterbury Surrey Hills Community Finance Limited, the Directors of the Company declare that:

- 1 the financial statements and notes of the Company as set out on pages 22 to 42 are in accordance with the Corporations Act 2001 and:
 - (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) give a true and fair view of the Company's financial position as at 30 June 2012 and of the performance for the year ended on that date;
- 2 in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Hans Diederick Menting
Chairman

Signed in Melbourne on 3 September 2012

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF CANTERBURY SURREY HILLS COMMUNITY
FINANCE LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Canterbury Surrey Hills Community Finance Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those 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 the auditor's 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, the auditor considers internal control relevant to the company's preparation 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 company'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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews

Philip Delahunty
Kathie Teasdale
David Richmond

Independent audit report (continued)

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

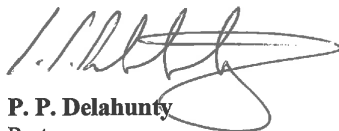
Auditor's Opinion

In our opinion:

- (a) the financial report of Canterbury Surrey Hills Community Finance Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants



P. P. Delahunty
Partner

Dated at Bendigo, 3rd September 2012



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 Shop 2, 143 Maling Road, Canterbury VIC 3126
 Phone: (03) 9836 9466

Ashburton **Community Bank**[®] Branch
 241 High Street, Ashburton VIC 3147
 Phone: (03) 9885 2666

Surrey Hills **Community Bank**[®] Branch
 107 Union Road, Surrey Hills VIC 3127
 Phone: (03) 9890 7188

Balwyn **Community Bank**[®] Branch
 411 Whitehorse Road, Balwyn VIC 3103
 Phone: (03) 9836 8029

Franchisee: Canterbury Surrey Hills Community Finance Limited
 PO Box 439, Canterbury VIC 3126
 ABN: 96 099 590 593
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www.bendigobank.com.au

