Windsor **Community Bank®** Branch
Prahran Market branch


# annual report 2012

Stonnington Community Financial Services Limited

ABN 31 099 416 092

# Contents

# Chairman's report

## For year ended 30 June 2012

As we approach our 10th birthday it is timely to review all that we have achieved over the past 10 years. It has certainly been an adventure and like any business it has had its ups and downs. To think in 2000, when we started putting this idea together our aim was to bring back banking services to Windsor after the 'major banks' deserted the area. Now we look back and see that by bringing back those services we were the catalyst to revitalising the area with an IGA supermarket re opened and soon after, many businesses opened their doors and others invested in their businesses seeing the opportunity unfold.

Our business has grown to two branches with the opening of Prahran Market Branch in 2009, we employee 10 fantastic people in our business and after 10 years still have the same Branch Manager, Julian Kennedy. Julian was assisted for many years by Kate Maloney, who is now taking a back seat role. I believe our staff to be our biggest asset and now as we move forward it is important that Julian is strongly supported by Adele at Windsor and Jarrod at Prahran Market, two key personnel that will assist in our future growth and development. At this point I would like to acknowledge the great work of all our team and their commitment to excellence. I also want to thank the many customers that stop me in the street and continually tell me how good it is to bank at our branches and the fabulous service they receive every time. As the Chairman, I could not be more proud of our team.

Since that opening in 2002, our commitment to returning 60-80% of our profits back to the community is evidenced by the $761,532 returned to local clubs, charities and organisations over those 10 years. We are very proud that we have been able to support so many groups in our community and look forward to growing that further in the coming years.

It is disappointing that we are not in a position this year to provide a dividend to shareholders and as Chairman I am very disappointed. It has been a difficult year as we continue to work through this difficult economic period, of lower interest rates and increased competition. But as they say, "what doesn't kill you makes you stronger" and it is this determination that has made us re look at our business and plan a strategy that will deliver the results expected, not only to our community but also our shareholders. The signs in the last two months of the financial year showed us that our plan is on track and so we are committed to developing and growing our business in a direction that will deliver those results.

The year has seen two Directors resign and I would like to thank them for their service, John Keating resigned in March, finding his work commitments too great and Anthony Caneva in June, who is off to the UK to further his career. Both Directors served the company well and we thank them sincerely and wish them well for the future. As we move forward, Richard Hasseldine has now moved from Secretary to Treasurer and Melina Sehr has taken on the position of Secretary, I thank both of them for taking responsibility for these important positions and know they will give me great support. Thanks, also goes to my other Directors, Julia Sharwood, Brian Hatswell, David Rosenberg, and Sarah Davies for their commitment and dedication.

In closing I would like to reiterate that our business is strong with 5,400 customers and $120 million in banking business. In this year we will celebrate our 10th year in business and all shareholders will be invited to help mark this important occasion. It is the commitment of the Board and I to continue to grow our business and develop our community and that will only happen with the strength and support of that community and our shareholders.

I look forward to meeting our shareholders at the AGM in October and presenting this year's grant recipients.

**Jon Caneva**
**Chairman**

# Manager's report

## For year ended 30 June 2012

As at 30 June 2012, the Windsor **Community Bank®** Branch has been trading for just over nine and a half years while Prahran Market branch has been doing the same for just over three years.

It has been another challenging year with strong competition from our competitors and with new competitors entering the market.

Growth for the financial year was $17.4 million for our two branches giving us total banking business of $127.1 million current as at 30 June 2012.

Our branches continue to grow with the assistance and support of our loyal customers, residents, local traders, shareholders and sponsored groups and sporting clubs. We continue to build and strengthen our existing relationships with several key groups in our local area and we are continually looking to expand the number of clubs and groups that we sponsor.

We have had a few staff changes at our two branches over the last 12 months with Sharon moving on to a full-time position at another branch and Kate who was at Windsor has now taken up the part-time role at Prahran Market. I would like to welcome Adele Smarrelli who has taken up the Customer Relationship Manager role at Windsor and who already has proven to be a valued member of the team.

I would like to thank Adele Smarelli, Simon Mangan, Julie Galloway, Victoria Hooi and Haroula Vagenas at Windsor and Jarrod Pearse, Stephanie Noonan and Kate Maloney at Prahran Market for their contribution over the last 12 months and for providing a professional, warm and friendly atmosphere at our branches.

I would also like to express my thanks to our Board of Directors for their continued support and encouragement as well as the team at Bendigo and Adelaide Bank for their assistance throughout the year.

We are facing very challenging times ahead with global economic uncertainty. The continued growth of our two branches is reliant on the continued support of our local community. To all our shareholders I ask you to continue to support us with your banking requirements and as an advocate for our branches and the value we bring to our local community. This will ensure that we continue to grow and prosper and be able to continue to support our local groups and service the community like we do.

**Julian Kennedy**
**Branch Manager**

# Secretary and Treasurer's report

## For year ended 30 June 2012

I was Company Secretary of Stonnington Community Financial Services Ltd (SCFSL) during the 2012 financial year but with effect from July 2012, have now changed roles to that of Treasurer. Anthony Caneva, who was Treasurer during the financial year, has now resigned as a Director as he is moving to a new job in the UK. I am a chartered accountant and consider that Treasurer is a more appropriate role for me.

The economic climate during the 2012 financial year was not good and it had a detrimental impact on our financial results. The company incurred a loss of $31,913, which was $12,611 more than budgeted. The loss represented an adverse variance of $37,088 compared with the profit achieved in 2011. The principal reason was a reduction in revenue due to lower footings than budgeted and an adverse change in the mix of business generated. Expenses were lower than budgeted so the extent of the loss was lower than it would have been if expenses had been maintained at previous levels.

Despite the loss, SCFSL continued to sponsor schools, sporting clubs and other not for profit organisations, which is an excellent way of supporting and contributing to the success of our community.

Our management team of Julian, Jarrod and Adele (who has only recently joined us) not only perform excellent roles in managing our branches but they (and the other branch staff) are also involved in supporting many of the not for profit organisations to which we donate funds.

In recent months they have helped the company to increase its level of business and we are consequently budgeting a small profit in the 2013 financial year.

Unfortunately we are not able to pay a dividend to our shareholders this year, but we are optimistic that we will be able to resume dividend payments next year.

Trading in Stonnington Community Financial Services Ltd shares continues to operate under the Low Value Market process. Buyers and sellers register their interest in buying or selling shares on our website and we provide contact details to them so they can negotiate the terms of a share trade. The system not only works effectively but buyers and sellers do not have to pay any costs or fees when trading shares. There have been a small number of share trades during the year.

**Richard Hasseldine**
**Treasurer and ex Company Secretary**

# Directors' report

## For the financial year ended 30 June 2012

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

**Directors**

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

**Giovanni Jon Caneva**
Chairman
Occupation: Company Director
Board member since November 2002

**Anthony Caneva**
Director
Occupation: Financial Services
Board member since January 2008
Resigned from Board June 2012

**Melina Sehr**
Director
Occupation: IT consultant
Board member since May 2005

**Richard Hasseldine**
Director
Occupation: Retired Executive
Board member since August 2010

**Julia Sharwood**
Director
Occupation: Community Worker
Board member since October 2010

**Brian Francis Hatswell**
Director
Occupation: Retailer
Board member since November 2002

**John Keating**
Director/Secretary
Occupation: Lawyer
Board member since November 2008
Resigned from Board March 2012

**David Rosenberg**
Director
Occupation: Retired Retailer
Board member since June 2007

**Sarah Davies**
Director
Occupation: Solicitor
Board member since January 2009

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

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

**Principal activities**

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

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

### Operating results

The profit / (loss) of the company for the financial year after provision for income tax was ($31,913) (2011: $5,175).

### Financial position

The net assets of the company have decreased by $51,413 from June 30, 2011 to $337,466 in 2012. The decrease is due to the loss of $31,913 and the dividend paid of $19,500.

| | Year ended 30 June 2012 | |
|---|---|---|
| **Dividends** | **Cents per share** | **$** |
| Dividends paid in the year: | 3 | 19,500 |

### 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.

### Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

### Future developments

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

### Environmental issues

The company is not subject to any significant environmental regulation.

### Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

### Remuneration report

Other than detailed below no Director or related entity has entered into a material contract with the company. Bookkeeping & Marketing services were provided by Caneva Management Pty Ltd, a company of which Gionvanni Jon Caneva is a Director. The fees paid during the year ended 30 June 2012 to Caneva Management Pty Ltd amounted to $12,000 (2011: $12,000).

Director's fees as ratified by the company's Annual General Meeting were approved and paid to the following Directors or related entity as directed by them.

### Remuneration report (continued)

| Director's fees | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Giovanni Jon Caneva | 2,000 | 2,000 |
| Brian Francis Hatswell | 1,000 | 1,000 |
| Melina Sehr | 1,000 | 1,000 |
| David Rosenberg | 1,000 | 1,000 |
| Anthony Caneva | 1,500 | 1,500 |
| John Keating | 500 | 1,000 |
| Sarah Davies | 1,000 | 1,000 |
| Richard Hasseldine | 1,500 | 1,001 |
| Julia Sharwood | 1,000 | 334 |

### Indemnifying Officers or Auditor

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

Richard Hasseldine resigned as company Secretary and became company Treasurer in July 2012. Melina Sehr was appointed Secretary in July 2012.

### Directors' meetings

The number of Directors' meetings attended during the year were:

| Director | Board meetings# | Audit committee meetings# |
|---|---|---|
| Giovanni Jon Caneva | 10 (10) | 4 (4) |
| Brian Francis Hatswell | 9 (10) | N/A |
| John Keating | 5 (6) | N/A |
| Anthony Caneva | 7 (10) | 4 (4) |
| David Rosenberg | 8 (10) | N/A |
| Melina Sehr | 7 (10) | N/A |

# Directors' report (continued)

**Directors' meetings (continued)**

| Director | Board meetings# | Audit committee meetings# |
|---|---|---|
| Sarah Davies | 6 (10) | N/A |
| Richard Hasseldine | 7 (10) | 4 (4) |
| Julia Sharwood | 6 (10) | N/A |

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

**Corporate governance**

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

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

**Non audit services**

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

**Auditor independence declaration**

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Prahran, Victoria on 26 September 2012.

**Giovanni Jon Caneva,**
**Chairman**

# Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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26 September 2012

The Directors
Stonnington Community Financial Services Ltd
111 Chapel Street
WINDSOR VIC 3181

To the Directors of Stonnington Community Financial Services Ltd

**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

**RICHMOND SINNOTT & DELAHUNTY**
Chartered Accountants

W Sinnott

**Warren Sinnott**
**Partner**
**Dated at Bendigo, 26 September 2012**

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

# Financial statements

## Statement of comprehensive income for the year ended 30 June 2012

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| Revenues | 2 | 1,145,656 | 1,201,688 |
| Employee benefits expense | 3 | (530,144) | (514,662) |
| Depreciation and amortisation expense | 3 | (81,628) | (79,365) |
| Finance costs | 3 | (6,501) | (9,399) |
| Other expenses | | (517,733) | (506,453) |
| **Operating profit/(loss) before charitable donations & sponsorships** | | **9,650** | **91,809** |
| Charitable donations and sponsorship | | (49,142) | (74,075) |
| **Profit / (loss) before income tax expense** | | **(39,492)** | **17,734** |
| Income tax (expense) / benefit | 4 | 7,579 | (12,559) |
| **Profit / (loss) after income tax expense** | | **(31,913)** | **5,175** |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | **(31,913)** | **5,175** |
| **Earnings per share (cents per share)** | | | |
| - basic for profit / (loss) for the year | 22 | (4.91) | 0.80 |
| - diluted for profit / (loss) for the year | 22 | (4.91) | 0.80 |

The accompanying notes form part of these financial statements.

## Statement of financial position as at 30 June 2012

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 133,263 | 122,399 |
| Receivables | 7 | 70,564 | 61,681 |
| Current tax refundable | 4 | 17,762 | - |
| **Total current assets** | | **221,589** | **184,080** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 248,467 | 315,095 |
| Intangible assets | 9 | 18,889 | 33,889 |
| **Total non-current assets** | | **267,356** | **348,984** |
| **Total assets** | | **488,945** | **533,064** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables | 10 | 31,530 | 24,414 |
| Provisions | 12 | 49,949 | 40,720 |
| Current tax payable | 4 | - | 9,051 |
| **Total current liabilities** | | **81,479** | **74,185** |
| **Non current liabilities** | | | |
| Loans and borrowings | 11 | 70,000 | 70,000 |
| **Total non current liabilities** | | **70,000** | **70,000** |
| **Total liabilities** | | **151,479** | **144,185** |
| **Net assets** | | **337,466** | **388,879** |
| **Equity** | | | |
| Issued capital | 13 | 647,010 | 647,010 |
| Accumulated losses | 14 | (309,544) | (258,131) |
| **Total equity** | | **337,466** | **388,879** |

The accompanying notes form part of these financial statements.

## Statement of cash flows
## for the year ended 30 June 2012

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 1,132,142 | 1,297,803 |
| Cash payments in the course of operations | | (1,083,739) | (1,187,767) |
| Interest paid | | (6,501) | (9,399) |
| Interest received | | 4,630 | 6,222 |
| Income tax refunded / (paid) | | (16,168) | 19,962 |
| **Net cash flows from / (used in) operating activities** | **15b** | **30,364** | **126,821** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | - | (135,538) |
| **Net cash flows used in investing activities** | | **-** | **(135,538)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | - | (30,000) |
| Dividends paid | | (19,500) | (32,500) |
| **Net cash flows from / (used in) financing activities** | | **(19,500)** | **(62,500)** |
| **Net increase / (decrease) in cash held** | | **10,864** | **(71,217)** |
| Cash and cash equivalents at start of year | | 122,399 | 193,616 |
| **Cash and cash equivalents at end of year** | **15a** | **133,263** | **122,399** |

The accompanying notes form part of these financial statements.

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

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **Issued capital** | | | |
| Balance at start of year | | 647,010 | 647,010 |
| **Balance at end of year** | | **647,010** | **647,010** |
| **Retained earnings / (accumulated losses)** | | | |
| Balance at start of year | | (258,131) | (230,806) |
| Profit / (loss) after income tax expense | | (31,913) | 5,175 |
| Dividends paid | 21 | (19,500) | (32,500) |
| **Balance at end of year** | | **(309,544)** | **(258,131)** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2012

## Note 1. Basis of preparation of the financial report

**(a) Basis of preparation**

Stonnington Community Financial Services Ltd ('the company') is domiciled in Australia. The financial statements for the year ended 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 authorative 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 26 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.

Land and buildings are measured at fair value less accumulated depreciation.

## Note 1. Basis of preparation of the financial report (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 |
|---|---|
| Leasehold improvements | 10% to 20% |
| Computers | 25% |
| Computer software | 40% |
| Plant & equipment | 7.5% to 33.3% |

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.

## Note 1. Basis of preparation of the financial report (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. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

**(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.

## Note 1. Basis of preparation of the financial report (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. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

## Note 1. Basis of preparation of the financial report (continued)

**(q) Financial instruments (continued)**

Classification and subsequent measurement (continued)

Amortised cost 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 debtors are experiencing significant financial difficulty or changes in economic conditions.

| | 2012<br>$ | 2011<br>$ |
|---|---|---|

## Note 2. Revenue

| | 2012 $ | 2011 $ |
|---|---|---|
| **Revenue from continuing activities** | | |
| - services commissions | 1,141,026 | 1,195,426 |
| - other revenue | - | 40 |
| | **1,141,026** | **1,195,466** |
| **Other revenue** | | |
| - interest received | 4,630 | 6,222 |
| | **4,630** | **6,222** |
| | **1,145,656** | **1,201,688** |

## Note 3. Expenses

| | 2012 $ | 2011 $ |
|---|---|---|
| **Employee benefits expense** | | |
| - wages and salaries | 442,347 | 443,369 |
| - superannuation costs | 39,262 | 38,711 |
| - workers' compensation costs | 1,779 | 1,764 |
| - other costs | 46,756 | 30,818 |
| | **530,144** | **514,662** |

| | 2012 $ | 2011 $ |
|---|---|---|

## Note 3. Expenses (continued)

| | 2012 $ | 2011 $ |
|---|---|---|
| **Depreciation of non-current assets:** | | |
| - computer software | 1,148 | 3,338 |
| - plant and equipment | 23,017 | 22,048 |
| - leasehold improvements | 42,463 | 39,023 |
| **Amortisation of non-current assets:** | | |
| - leasehold establishment fee | 5,000 | 4,956 |
| - intangibles | 10,000 | 10,000 |
| | **81,628** | **79,365** |
| **Finance costs:** | | |
| - Interest paid | 6,501 | 9,399 |
| Bad debts | 2,064 | 117 |

## Note 4. Income tax expense

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

| | 2012 $ | 2011 $ |
|---|---|---|
| Prima facie tax on profit / (loss) before income tax at 30% | (11,848) | 5,320 |
| Add / (less) tax effect of: | | |
| - Non-deductible / (other deductible) expenses | 4,268 | 7,239 |
| **Current income tax expense** | **(7,579)** | **12,559** |
| **Income tax expense** | **(7,579)** | **12,559** |
| **Tax liabilities** | | |
| **Current tax payable/(refundable)** | **(17,762)** | **9,051** |

## Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

| | 2012 $ | 2011 $ |
|---|---|---|
| - Audit or review of the financial report of the company | 3,900 | 3,900 |
| - Share registry services | 2,710 | 3,021 |
| | **6,610** | **6,921** |

## Note 6. Cash and cash equivalents

| | 2012 $ | 2011 $ |
|---|---|---|
| **Cash at bank and on hand** | **133,263** | **122,399** |

# Notes to the financial statements (continued)

| | 2012<br>$ | 2011<br>$ |
|---|---|---|

## Note 7. Receivables

| | | |
|---|---|---|
| **Trade debtors** | **70,564** | **61,681** |

## Note 8. Property, plant and equipment

| | | |
|---|---|---|
| **Leasehold improvements** | | |
| At cost | 426,343 | 426,343 |
| Less accumulated depreciation | (310,893) | (268,430) |
| | **115,450** | **157,913** |
| **Plant and equipment** | | |
| At cost | 209,546 | 209,546 |
| Less accumulated depreciation | (76,529) | (53,512) |
| | **133,017** | **156,034** |
| **Computer software** | | |
| At cost | 12,145 | 12,145 |
| Less accumulated depreciation | (12,145) | (10,997) |
| | **-** | **1,148** |
| **Total written down amount** | **248,467** | **315,095** |
| **Movements in carrying amounts** | | |
| **Leasehold improvements** | | |
| Carrying amount at beginning of year | 157,913 | 139,174 |
| Additions | - | 57,762 |
| Disposals | - | - |
| Depreciation expense | (42,463) | (39,023) |
| **Carrying amount at end of year** | **115,450** | **157,913** |
| **Plant and equipment** | | |
| Carrying amount at beginning of year | 156,034 | 100,306 |
| Additions | - | 77,776 |
| Disposals | - | - |
| Depreciation expense | (23,017) | (22,048) |
| **Carrying amount at end of year** | **133,017** | **156,034** |

# Notes to the financial statements (continued)

| | 2012 $ | 2011 $ |
|---|---|---|

## Note 8. Property, plant and equipment (continued)

| **Computer software** | | |
|---|---|---|
| Carrying amount at beginning of year | 1,148 | 4,486 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (1,148) | (3,338) |
| **Carrying amount at end of year** | **-** | **1,148** |

## Note 9. Intangible assets

| **Leasehold establishment fee** | | |
|---|---|---|
| At cost | 25,000 | 25,000 |
| Less accumulated amortisation | (9,956) | (4,956) |
| **Franchise fee** | | |
| At cost | 100,000 | 100,000 |
| Less accumulated amortisation | (96,155) | (86,155) |
| | **18,889** | **33,889** |

## Note 10. Payables

| | | |
|---|---|---|
| Trade creditors | 5,191 | 4,905 |
| Other creditors and accruals | 26,339 | 19,509 |
| | **31,530** | **24,414** |

## Note 11. Loans and borrowings

| **Non current** | | |
|---|---|---|
| **Bank loan** | **70,000** | **70,000** |

The loan is an interest only variable rate loan over 5 years and the current interest rate is 8.69%.

| | 2012 $ | 2011 $ |
|---|---|---|

## Note 12. Provisions

| | 2012 $ | 2011 $ |
|---|---|---|
| **Employee benefits** | **49,949** | **40,720** |
| **Movement in employee benefits** | | |
| Opening balance | 40,720 | 40,010 |
| Additional provisions recognised | 34,149 | 34,105 |
| Amounts utilised during the year | (24,920) | (33,395) |
| **Closing balance** | **49,949** | **40,720** |

## Note 13. Share capital

| | 2012 $ | 2011 $ |
|---|---|---|
| **650,000 Ordinary shares *** | **647,010** | **647,010** |

* Comprises 620,100 ordinary shares fully paid to $1 and 29,900 shares, issued at a discount price of $0.90, fully paid to $1.

## Note 14. Retained earnings/(accumulated losses)

| | 2012 $ | 2011 $ |
|---|---|---|
| Balance at the beginning of the financial year | (258,131) | (230,806) |
| Profit / (loss) after income tax | (31,913) | 5,175 |
| Dividends paid | (19,500) | (32,500) |
| **Balance at the end of the financial year** | **(309,544)** | **(258,131)** |

## Note 15. Statement of cash flows

| | 2012 $ | 2011 $ |
|---|---|---|
| **(a) Cash and cash equivalents** | | |
| **Cash assets** | **133,263** | **122,399** |
| **(b) Reconciliation of profit / (loss) after tax to net cash from / (used in) operating activities** | | |
| Profit / (loss) after income tax | (31,913) | 5,175 |
| Non cash items | | |
| - Depreciation | 66,628 | 64,409 |
| - Amortisation | 15,000 | 14,956 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (8,883) | 16,509 |
| - Increase (decrease) in payables | 7,116 | (7,459) |
| - Increase (decrease) in provisions | 9,229 | 710 |
| - (Increase) decrease in current tax refundable / payable | (26,813) | 32,521 |
| **Net cash flows from / (used in) operating activities** | **30,364** | **126,821** |

## Note 16. Director and related party disclosures

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

Giovanni Jon Caneva
Brian Francis Hatswell
John Keating
Anthony Caneva
David Rosenberg
Melina Sehr
Sarah Davies
Richard Hasseldine
Julia Sharwood

Other than detailed below no Director or related entity has entered into a material contract with the company. Bookkeeping & Marketing services were provided by Caneva Management Pty Ltd, a company of which Gionvanni Jon Caneva is a Director. The fees paid during the year ended 30 June 2012 to Caneva Management Pty Ltd amounted to $12,000 (2011: $12,000).

Director's fees as ratified by the company's Annual General Meeting were approved and paid to the following Directors or related entity as directed by them.

| Director's fees | 2012 | 2011 |
|---|---|---|
| Giovanni Jon Caneva | $2,000 | $2,000 |
| Brian Francis Hatswell | $1,000 | $1,000 |
| Melina Sehr | $1,000 | $1,000 |
| David Rosenberg | $1,000 | $1,000 |
| Anthony Caneva | $1,500 | $1,500 |
| John Keating | $500 | $1,000 |
| Sarah Davies | $1,000 | $1,000 |
| Richard Hasseldine | $1,500 | $1,001 |
| Julia Sharwood | $1,000 | $334 |

Note 16. Director and related party disclosures (continued)

| Directors' shareholdings | 2012 | 2011 |
|---|---|---|
| Giovanni Jon Caneva | 40,000 | 40,000 |
| Brian Francis Hatswell | 15,000 | 15,000 |
| John Keating | 500 | 500 |
| Anthony Caneva | 500 | 500 |
| David Rosenberg | 10,000 | 10,000 |
| Melina Sehr | 500 | 500 |
| Sarah Davies | - | - |
| Richard Hasseldine | 5,000 | 5,000 |
| Julia Sharwood | 1,000 | - |

In May 2012 Julia Sharwood purchased 1,000 shares. There were no other movements in Directors shareholdings during the year. Each share held has a paid up value of $1 and is fully paid. The above holdings are held personally or in associated entities.

## Note 17. 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 statements.

## Note 18. Contingent liabilities and assets

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

## Note 19. 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 Stonnington, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

## Note 20. Corporate information

Stonnington Community Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is:

111 Chapel Street, Windsor VIC 3181

| | 2012<br>$ | 2011<br>$ |
|---|---|---|

## Note 21. Dividends paid or provided for on ordinary shares

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **(a) Dividends paid during the year** | | |
| **Franked dividends - 3 cents per share (2011: 5 cents per share)**<br>**32,500** | | **19,500** |
| **(b) Dividends proposed and not recognised as a liability** | | |
| **Franked dividends - No dividends are proposed (2011: 3 cents per share)** | **-** | **19,500** |
| **(c) 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. | 25,905 | 18,093 |
| - Franking credits that will arise from the payment / (refund) of income tax payable as at the end of the financial year | (17,762) | 9,051 |
| | **8,143** | **27,144** |

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

## Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Profit / (loss) after income tax expense** | **(31,913)** | **5,175** |
| **Weighted average number of ordinary shares for basic and diluted earnings per share** | **650,000** | **650,000** |

## 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<br>$ | 2011<br>$ |
|---|---|---|---|
| **Financial assets** | | | |
| Cash & cash equivalents | 6 | 133,263 | 122,399 |
| Receivables | 7 | 70,564 | 61,681 |
| **Total financial assets** | | **203,827** | **184,080** |
| **Financial liabilities** | | | |
| Payables | 10 | 31,530 | 24,414 |
| Loans and borrowings | 11 | 70,000 | 70,000 |
| **Total financial liabilities** | | **101,530** | **94,414** |

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<br>$ | 2011<br>$ |
| Cash and cash equivalents | 133,263 | 122,399 |
| Receivables | 70,564 | 61,681 |
| | **203,827** | **184,080** |

## Note 23. Financial risk management (continued)

**(a) Credit risk (continued)**

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.

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.

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 | (31,530) | (31,530) | – | – |
| Loans and borrowings | (70,000) | - | (70,000) | – |
| **Total expected outflows** | **(101,530)** | **(31,530)** | **(70,000)** | **–** |
| **Financial assets - cashflow realisable** | | | | |
| Cash & cash equivalents | 133,263 | 133,263 | – | – |
| Receivables | 70,564 | 70,564 | – | – |
| **Total anticipated inflows** | **203,827** | **203,827** | **–** | **–** |
| **Net (outflow)/inflow on financial instruments** | **102,297** | **172,297** | **(70,000)** | **–** |

| | Total $ | Within 1 year $ | 1 to 5 years $ | Over 5 years $ |
|---|---|---|---|---|
| **30 June 2011** | | | | |
| **Financial liabilities due for payment** | | | | |
| Payables | (24,414) | (24,414) | – | – |
| Loans and borrowings | (70,000) | - | (70,000) | – |
| **Total expected outflows** | **(94,414)** | **(24,414)** | **(70,000)** | **–** |

## 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 $ |
|---|---|---|---|---|
| **Financial assets - cashflow realisable** | | | | |
| Cash & cash equivalents | 122,399 | 122,399 | – | – |
| Receivables | 61,681 | 61,681 | – | – |
| **Total anticipated inflows** | **184,080** | **184,080** | **–** | **–** |
| **Net (outflow)/inflow on financial instruments** | **89,666** | **159,666** | **(70,000)** | **–** |

* The Bank overdraft has no set repayment period and as such all has been included as current.

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 | - | - |
| Financial liabilities | - | - |
| | **-** | **-** |
| **Floating rate instruments** | | |
| Financial assets | 133,263 | 122,399 |
| Financial liabilities | 70,000 | 70,000 |
| | **203,263** | **192,399** |

# Notes to the financial statements (continued)

## Note 23. Financial risk management (continued)

**(c) Market risk (continued)**

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%.

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 Stonnington Community Financial Services Ltd, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 29 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.

**Giovanni Jon Caneva,**
**Chairman**

Signed at Prahran, Victoria on 26 September 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

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Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

***INDEPENDENT AUDIT REPORT***
***TO THE MEMBERS OF STONNINGTON COMMUNITY***
***FINANCIAL SERVICES LIMITED***

**Report on the Financial Report**

We have audited the accompanying financial report of Stonnington Community Financial Services Ltd, 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

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 Stonnington Community Financial Services Ltd 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

**RICHMOND SINNOTT & DELAHUNTY**
Chartered Accountants

W Sinnott.

**W. J. SINNOTT**
Partner

Dated at Bendigo, 26 September 2012


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111 Chapel Street, Windsor VIC 3181
Phone: (03) 9510 9311

Prahran Market branch
Shop 812 Prahran Market,
163 Commercial Road, Prahran VIC 3181
Phone: (03) 9827 6545

Franchisee:
Stonnington Community Financial Services Limited
111 Chapel Street, Windsor VIC 3181
Phone: (03) 9521 1732
ABN: 31 099 416 092
www.bendigobank.com.au/windsor

Share Registry: Richmond Sinnott & Delahunty
10-16 Forest Street, Bendigo VIC 3550
Postal Address:
PO Box 30, Bendigo VIC 3552
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Email: shareregistry@rsdadvisors.com.au
www.rsdadvisors.com.au

Bendigo Bank

(BMPAR12053) (08/12)