



# Annual Report 2016

East Malvern Community  
Financial Services Limited

ABN 27 089 542 174

East Malvern **Community Bank**<sup>®</sup> Branch

# Contents

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# Chairman's report

## For year ending 30 June 2016

It is again my pleasure to report on another sound year for the company during which our branch displayed very strong momentum through-out the year across revenue, operating profits and total business (Branch Footings). This enabled the Board to boost both sponsorships and dividends to shareholders. The cumulative returns from business since inception has now surpassed \$4.5 million with \$400,000 being added in the last 12 months.

As you would expect the East Malvern **Community Bank**<sup>®</sup> Branch has retained its position as one of the top performers of all **Community Bank**<sup>®</sup> branches which now number more than 314 across Australia and have collectively returned more than \$190 million in community grants and shareholder dividends.

The current year saw branch revenue up 7.3% on the back of 15% growth in Branch Footings balanced out by a six basis point reduction in the average margin received. The investment portfolio suffered a \$48,000 non-cash reduction in value which constrained total Revenue growth to 1% for the year. The investment portfolio still remains well above cost and cash investment earnings were relatively stable for the year.

Financial metrics were as follows:

\$'000	2016	2015		
Revenue	1,184	1,168	up	1%
Operating profits before sponsorships and tax	427	389	up	10%
Sponsorships and donations	358	269	up	33%
Shareholder dividends (declared/paid)	94	91	up	3%
Branch footings	173.3m	150.9m	up	15%

In the 2015/16 the branch operating profit was \$101,000 higher than the prior year boosted by strong growth in Branch Footings and reduced costs due to a number of factors such as the prior year 15th anniversary celebrations and lower advertising spend. Overall investment income was down \$63,000 from the prior year due to a negative \$48,000 mark-to-market adjustment. Cash investment earnings fell by \$3,000 due to lower interest income and the prior year contained several special dividends that were not repeated in 2015/16.

Operating Results (\$'000)	Total			Total		
	1H16	2H16	2016	1H15	2H15	2015
<b>Community Bank<sup>®</sup></b>						
Branch revenue	540	611	1,151	531	542	1,073
Branch operating profit	174	214	388	133	154	287
Operating margin	32%	35%	34%	25%	28%	27%
<b>Investment Income</b>						
Cash investment earnings	47	40	87	53	37	90
Mark-to-market adjustment	(23)	(25)	(48)	21	(9)	12
<b>Operating Profit before Sponsorships and Tax</b>	<b>198</b>	<b>229</b>	<b>427</b>	<b>207</b>	<b>182</b>	<b>389</b>
<b>Sponsorships</b>			<b>(358)</b>			<b>(269)</b>
<b>Net profit before tax</b>			<b>69</b>			<b>120</b>

# Chairman's report (continued)

## Branch operations

Branch footings increased by \$22.4 million or 15% over the past 12 months principally due to strong growth in Lending and Savings Accounts.

Our business footings by product and total branch revenues are as follows:

Product	2016 \$mil	2015 \$mil	2014 \$mil	2013 \$mil	2012 \$mil	2011 \$mil	2010 \$mil
Savings Accounts	14.1	10.2	9.2	8.5	8.2	10.3	8.7
Term Deposits/ Treasury	57.5	59.1	68.8	76.0	71.8	56.3	53.8
Statement Accounts	34.4	30.3	21.8	19.3	17.6	17.2	17.0
Lending	58.4	44.3	41.6	41.2	35.9	29.0	21.9
Off Balance Sheet Business	8.9	7.0	8.6	7.8	7.0	9.0	7.3
<b>Total</b>	<b>173.3</b>	<b>150.9</b>	<b>150.0</b>	<b>152.8</b>	<b>140.5</b>	<b>121.8</b>	<b>108.7</b>
<b>Branch Revenue \$'000</b>	<b>1,151</b>	<b>1,073</b>	<b>1,078</b>	<b>1,153</b>	<b>1,158</b>	<b>1,148</b>	<b>1,010</b>
<b>Branch Revenue Margin</b>	<b>0.66%</b>	<b>0.71%</b>	<b>0.72%</b>	<b>0.75%</b>	<b>0.82%</b>	<b>0.94%</b>	<b>0.93%</b>

As has been the case for several years a headwind in the form of unfavourable changes to the revenue sharing agreement with Bendigo Bank has resulted in the company's Branch Revenue Margin (Branch Revenue over Business Footings) declining by a further six basis points. These changes are not unique to our company although they have certainly impacted on the level of Community Sponsorships the company has been able to provide. Effectively in 2016 the company generated the same level of Branch Revenue as in 2011, although the Branch Footings have grown by 42% over that time.

## Community sponsorships

The company provides grants to many community groups throughout the year including several Primary Schools and Kindergartens in our catchment area principally to fund infrastructure upgrades. There remains a strong commitment to a wide spectrum of local sport across all age groups which is underpinned by our belief in encouraging all sectors of the community to stay involved and active through their life.

The company has continued to build a portfolio of higher profile sporting events as a means of more effectively spreading the **Community Bank**<sup>®</sup> message which we seek to directly link to the East Malvern **Community Bank**<sup>®</sup> Branch. These events include the Stonnington Gift where the company has been principal sponsor for the 6th year since its inception and the 3rd year the company was main sponsor at the Melbourne Racing Club's Charity Race Day at Caulfield race course.

This year the company made its first contribution to the Community Enterprise Foundation™ which was established by Bendigo Bank and used to distribute money raised in appeals for communities affected by natural disasters, and other charitable causes.

Contributions to Country have been a regular component of our sponsorship programme particularly for disaster relief. In many cases the value of our contribution can be magnified many times over, one example of which was recounted below.

Source: Bendigo Bank – 2016 Annual Review (published 1 Sept 2016)

**"Hospital reopens after flood** - Flood waters ripped through the Victorian town of Numurkah in 2012, destroying the local hospital and devastating the community.

# Chairman's report (continued)

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Numurkah branch committed \$20,000 in disaster relief seed funding, while 300 kilometres away in metropolitan Victoria, East Malvern **Community Bank**® Branch contributed \$25,000. This financial support complemented the public fundraising appeal, with \$252,000 raised to help rebuild the hospital.

In 2016, Numurkah Hospital reopened, both a vital service restored and a shining symbol of endurance for the community.”

## Dividends

Reflecting the improved Branch operating margin your Board has increased the final dividend for the year taking full year dividends to 24 cents (23 cents 2015) fully franked. Dividends for the year have comprised of an interim dividend of 11 cents (11 cents 2015) and a final dividend of 13 cents per share (12 cents 2015), payable on 31 October 2016 to all shareholders as at 30 September 2016.

As always the Board strives to keep the balance right between all our stakeholders including shareholders while staying true to the spirit of **Community Bank**® programme. Since the business started through to the current year, the cumulative returns to the community and shareholders are as follows:

Sponsorships and donations	\$3,274,000	71%
Dividends paid to shareholders	\$ 928,000	20%
Retained earnings	\$ 389,000	9%
<b>Total</b>	<b>\$4,591,000</b>	<b>100%</b>

This year \$400,000 was added to the cumulative returns that the business has generated since the Branch opened in May 2000 reflecting the sustainability of the **Community Bank**® model.

## Board of Directors

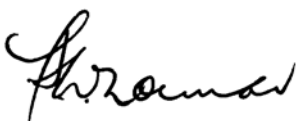
The Board continues to provide unstinting dedication and I acknowledge the time and energy they provide.

The Board comprises of:-

Peter W. Norman OAM - Chairman  
Stuart E. Martyn – Deputy Chairman  
Cheryl S. Newsom  
Philip C. Carey  
Michael Arbon  
Anne Parsonson  
James Hayne

Our branch has and always will provided a high level of quality service. I want to thank those who are currently supporting our **Community Bank**® branch with their banking business and look forward to that continuing support in the future.

I welcome any shareholder or local resident who does not currently bank with us to come and experience the great service we deliver at our **Community Bank**® branch as its ongoing strength and vitality provide the ability for the company to play an important role in the community.



**Peter Norman OAM**  
**Chairman**

# Sponsorship Committee Report

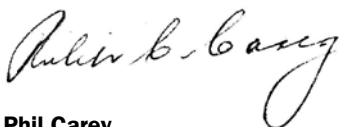
For year ending 30 June 2016

An important part of our business model is based upon being an active and substantial contributor to the health and well being of our community. The extensive array of assistance the company provides played a significant role in our commercial success. Since the branch opened in 2000 our approved sponsorships together with donations and other community contributions have now exceeded \$3.274 million.

This financial year, the company was proud to have supported 45 different organisations across the community funding a variety of initiatives with a total value of \$358,125 (\$268,950 (2015)).

<b>SPORT</b>	<b>EDUCATION</b>
Caulfield Cricket Club	Clifroy <b>Community Bank</b> <sup>®</sup> Company
Caulfield Grammarians Football Club	Ewing Kindergarten
Chadstone Bowls Club	Lloyd Street School
Collegians Football Club	Oakwood Community School
De La Salle Old Collegians Football Club	St. Joseph's Primary School
De La Sallys Netball Club	St. Mary's Primary School
East Malvern Tooronga Cricket Club	St. Roch's Primary School
East Malvern RSL Anglers Club	Solway Primary School
Glendearg All Saints Tennis Club	
Malvern Cricket Club	
Malvern Junior Cricket Club	<b>COMMUNITY</b>
Melbourne Racing Club	Cystic Fibrosis Victoria
Old Xaverians Football Club	Garstonpark Girl Guides
Prahran Amateur Football Club	Golden Days Radio
Prahran Cricket Club	Golden Wattle Day Club
Powerhouse Amateur Football Club	Malvern Artists' Society
St. Andrews Gardiner Cricket Club	Malvern East Combined Probus Clubs
St.Kevins Old Boys Football Club	Malvern Special Needs P/group
Stonnington Gift	Men of Malvern
Toorak East Malvern Hockey Club	Phoenix Park Neighbourhood House
The Local Footy Show	Stonnington Symphony
Toorak Park Users Group	Community Enterprise Foundation
Victorian Amateur Football Association	
Victorian Sub District Cricket Association	<b>COUNTRY</b>
Victorian Over 60 Cricket Association	Edenhope <b>Community Bank</b> <sup>®</sup> Branch

The Directors, our staff and I believe all shareholders should take pride in seeing the contributions our company is making to the communities we serve. We will continue to participate as actively as we can and respond to requests for sponsorship where benefits are available to significant sections of our community.



**Phil Carey**  
Director and Sponsorship Committee member

# Director's Financial Statement

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The net profit of the company for the financial year after providing for income tax amounted to \$42,099 (\$84,955 (2015)).

A review of the operations of the company during the financial year and the results of those operations were as follows:

- The principal activity of the company during the financial year was the operation of **Community Bank**<sup>®</sup> branch services operating under a franchise with the Bendigo and Adelaide Bank Limited.
- No significant change in the nature of these activities occurred during the year.
- The company will continue with its policy of providing banking services to the community.
- Dividends paid during the year were, a final dividend for 2015 of 12 cents (fully franked), an interim dividend for 2016 of 11 cents (fully franked), and the Board has recommended a final dividend of 13 cents (fully franked) to be paid on 31 October 2016 to all shareholders as at 30 September 2016.
- 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.
- No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.
- No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is in or has been an Officer or Auditor of the company.

Signed in accordance with a resolution of the Board of Directors 26 September 2016.



**Ric Sykes**  
**Company Secretary**

# Secretary's Report

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## **Use of the Company Seal**

The Company Seal was not used during the year.

## **Directors Attendance at Board Meetings**

Eleven Board Meetings were conducted during the year. The attendance was:

Peter Norman OAM	11
Stuart Martyn	9
Cheryl Newsom	6
Philip Carey	8
Michael Arbon	9
Anne Parsonson	9
James Hayne	9



**Ric Sykes**  
**Company Secretary**



# Financial statements

## Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash	17 (a)	96,161	71,228
Accounts receivable	5	111,080	95,766
Investments	6	21,111	20,595
<b>Total current assets</b>		<b>228,352</b>	<b>187,589</b>
<b>Non-current assets</b>			
Investments	7	683,660	731,640
Property, plant and equipment	8	15,906	21,250
Non current receivable	9	70,000	90,000
Intangibles	10	-	-
<b>Total non-current assets</b>		<b>769,560</b>	<b>842,890</b>
<b>Total assets</b>		<b>997,918</b>	<b>1,030,479</b>
<b>Current liabilities</b>			
Accounts payable	11	5,353	-
Provisions	12	150,116	110,363
Other	13	40,870	66,588
<b>Total current liabilities</b>		<b>196,339</b>	<b>176,951</b>
<b>Non-current liabilities</b>			
Provisions	14	18,136	17,552
<b>Total non-current liabilities</b>		<b>18,136</b>	<b>17,552</b>
<b>Total liabilities</b>		<b>214,475</b>	<b>194,503</b>
<b>Net assets</b>		<b>783,443</b>	<b>835,976</b>
<b>Shareholder's equity</b>			
Share capital	15	394,300	394,300
Accumulated profits	15	389,143	441,676
<b>Total shareholder's equity</b>		<b>783,443</b>	<b>835,976</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Income Statement for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Margin income	2	1,001,747	905,573
Fee income		141,391	153,341
Commission income		7,693	13,846
Rent income		25,509	25,208
Interest income		5,668	12,435
Dividends and other investment income		2,420	64,073
Profit/(Loss) on sale of assets		-	(6,577)
<b>Total income</b>		<b>1,184,428</b>	<b>1,167,899</b>
Personnel expenses		447,632	388,125
Building occupancy expenses		112,483	117,991
Depreciation and amortisation		5,344	18,163
Sponsorships and donations		358,125	268,950
Other office expenses		190,574	253,132
Bad debt expense	2	1,003	1,228
Interest expense	2	250	-
<b>Total expenses</b>		<b>1,115,411</b>	<b>1,047,589</b>
Operating profit		69,017	120,310
Income tax expense	3	26,918	35,355
<b>Operating profit after income tax</b>		<b>42,099</b>	<b>84,955</b>
Dividends declared	4	(94,632)	(90,689)
Accumulated profits at the beginning of the financial year		441,676	447,410
<b>Accumulated profits at the end of the financial year</b>		<b>389,143</b>	<b>441,676</b>
<b>Earnings per share</b>		<b>10.7 cents</b>	<b>21.5 cents</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,265,913	1,181,119
Payments to suppliers, sponsors and employees		(1,233,833)	(1,181,212)
Dividends and other investment income		50,340	52,370
Interest received		5,668	12,435
Rent received		25,509	25,208
Income tax paid		(17,519)	(35,313)
<b>Net operating cash flows</b>	<b>17 (b)</b>	<b>96,078</b>	<b>54,607</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of motor vehicle		-	20,000
Fixed assets (acquired) / disposed		-	10,478
Net (investment) / disposal in sponsorship fund (ASX listed securities)	60	(734)	
(Investment)/Redemption of term deposits		(516)	25,334
(Investment)/Repayment of loans to Sponsorship groups		20,000	(20,000)
<b>Net investing cash flows</b>		<b>19,544</b>	<b>35,078</b>
<b>Cash Flows from financing activity</b>			
Payment of dividends on ordinary shares		(90,689)	(90,689)
<b>Net financing cash flows</b>		<b>(90,689)</b>	<b>(90,689)</b>
Net increase/(decrease) in cash held		24,933	1,004
Cash at the beginning of the financial year		71,228	70,224
<b>Cash at the end of the financial year</b>	<b>17 (a)</b>	<b>96,161</b>	<b>71,228</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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### Statement of Changes in Equity for the year ended 30 June 2016

	<b>Issued capital \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
At 30 June 2014	394,300	447,410	841,710
Profit for the year		84,955	84,955
Dividends declared		(90,689)	(90,689)
<b>At 30 June 2015</b>	<b>394,300</b>	<b>441,676</b>	<b>835,976</b>
Profit for the year		42,099	42,099
Dividends declared		(94,632)	(94,632)
<b>At 30 June 2016</b>	<b>394,300</b>	<b>389,143</b>	<b>783,443</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2016

## Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Law, which includes applicable Accounting Standards. Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board have also been complied with. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

### **Income tax**

The company adopts the liability method of tax effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### **Property, plant and equipment**

Property, plant and equipment are carried at cost or at independent or Director's valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, are depreciated on straight line basis over the estimated useful lives to the entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

### **Intangibles**

Franchise fees are amortised over the useful life, being a period of 5 years.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### **Employee entitlements**

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

### **Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Revenue is recognised net of the amount of goods and services tax.

### **Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

### **Financial instruments included in equity**

Ordinary share capital is recorded at the value of the consideration received. The costs of issuing shares are charged against the share capital. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

### **Financial instruments included in liabilities**

Borrowings are recorded at the amount received on advance from the lender.

### **Financial instruments included in assets**

Trade debtors are initially recorded at the amount of contracted sale proceeds.

Provision for doubtful debts are recognised to the extent that recovery of the outstanding receivable balance is considered less than likely. Any provision established is based on a review of all outstanding amounts at balance date. A specific provision is maintained for identified doubtful debts, and a general provision is maintained in respect of receivables which are doubtful of recovery but which have not been specifically identified.

Bank deposits and short term bank bill investments are carried at cost and interest revenue is recognised on an effective yield basis.

### **Statement of compliance**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
<b>Note 2. Profit and loss items</b>			
Margin income	2	1,001,747	905,573
Fee income		141,391	153,341
Commission income		7,693	13,846
Rent income		25,509	25,208
Interest income		5,668	12,435
Dividends and other investment income		2,420	64,073
Profit/(Loss) on sale of assets		-	(6,577)
<b>Total income</b>		<b>1,184,428</b>	<b>1,167,899</b>
Operating result is after charging the following expenses:			
<b>Depreciation:</b>			
Depreciation of :			
- Fixtures and fittings		-	10,829
- Motor vehicles		5,334	5,334
Amortisation of			
- Establishment fees		-	2,000
<b>Total depreciation and amortisation</b>		<b>5,334</b>	<b>18,163</b>
Bad debt expense		1,003	1,228
Interest expense		250	-
<b>Other operating expense items:</b>			
Provision for employee entitlements		22,491	(17,210)
Operating lease rentals		89,235	90,320

## Note 3. Income tax

### Income tax expense

The difference between the income tax benefit in the financial statements and the prima facie income tax benefit is reconciled as follows:

Operating profit	69,017	120,310
Prima facie tax expense	19,670	36,093
Tax effect of permanent and other differences:	7,248	(738)
<b>Total income tax expense attributable to operating profit</b>	<b>26,918</b>	<b>35,355</b>

The value of franking credits as at 30 June 2016 was \$292,983 (\$280,223 (2015)).

## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
<b>Note 4. Dividends paid and payable</b>			
<b>Dividends paid</b>			
Fully franked interim dividend (11 cents per share)		43,373	43,373
<b>Dividends proposed</b>			
Fully franked final dividend (13 cents per share)		51,259	
Fully franked final dividend (12 cents per share)		-	47,316
<b>Total dividends paid and payable</b>		<b>94,632</b>	<b>90,689</b>
<b>Note 5. Accounts receivable (current)</b>			
Accounts receivable		105,980	90,966
Sundry receivables		5,100	4,800
Provision for doubtful debts		-	-
<b>Total accounts receivable (current)</b>		<b>111,080</b>	<b>95,766</b>
<b>Note 6. Investments (current)</b>			
Term deposits		21,111	20,595
<b>Total investments (current)</b>		<b>21,111</b>	<b>20,595</b>
<b>Note 7. Investments (non-current)</b>			
Sponsorship Fund (ASX listed securities) at cost		608,269	608,329
Market value adjustment		75,391	123,311
<b>Total investments (non-current)</b>		<b>683,660</b>	<b>731,640</b>
<b>Note 8. Property, plant and equipment</b>			
Furniture and fittings at cost		-	54,070
Less accumulated depreciation		-	(54,070)
<b>Total fixtures and fittings, net</b>		<b>-</b>	<b>-</b>
Motor vehicles at cost		25,000	25,000
Less accumulated depreciation		(9,094)	(3,750)
<b>Total motor vehicles, net</b>		<b>15,906</b>	<b>21,250</b>
<b>Total property, plant and equipment, net</b>		<b>15,906</b>	<b>21,250</b>



## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
<b>Note 9. Non current receivables</b>			
Loan to Edenhope <b>Community Bank</b> <sup>®</sup> Branch		-	5,000
Loan to Toorak Park Users Group		60,000	70,000
St Kevins Old Boys Football Club		10,000	15,000
<b>Total non current receivables</b>		<b>70,000</b>	<b>90,000</b>

## Note 10. Intangibles

Franchise fee at cost		-	70,000
Training fee at cost		-	50,000
<b>Total establishment fees at cost</b>		<b>-</b>	<b>120,000</b>
Less accumulated depreciation		-	(120,000)
<b>Total establishment fees, net</b>		<b>-</b>	<b>-</b>
<b>Total intangibles, net</b>		<b>-</b>	<b>-</b>

## Note 11. Accounts payable (current)

Trade creditors – unsecured		5,353	-
<b>Total accounts payable (current)</b>		<b>5,353</b>	<b>-</b>

## Note 12. Provisions (current)

Employee entitlements		64,659	42,752
Dividends on ordinary shares		52,330	48,442
Income tax		33,127	19,169
<b>Total provisions (current)</b>		<b>150,116</b>	<b>110,363</b>

## Note 13. Other (current)

Net GST collected/(paid)		27,120	30,325
Accruals		7,500	30,013
Rental bond		6,250	6,250
<b>Total other liabilities (current)</b>		<b>40,870</b>	<b>66,588</b>

## Note 14. Provisions (non-current)

Employee entitlements		18,136	17,552
<b>Total provisions (non-current)</b>		<b>18,136</b>	<b>17,552</b>

## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
<b>Note 15. Share capital</b>			
<b>Paid up capital</b>			
<b>Ordinary shares fully paid</b>		<b>394,300</b>	<b>394,300</b>
<b>Movement in shares on issue</b>			
Beginning of the financial year		394,300	394,300
<b>Ordinary shares fully paid</b>		<b>394,300</b>	<b>394,300</b>
<b>Movement in retained earnings</b>			
Accumulated profits at the beginning of the financial year		441,676	447,410
Operating profit after income tax expense		42,099	84,955
Dividends paid / payable	4	(94,632)	(90,689)
<b>Accumulated profits at the end of the financial year</b>		<b>389,143</b>	<b>441,676</b>

## Note 16. Commitments

Operating lease expenditure contracted for is payable as follows:

Not later than one year	14,101	15,887
Later than one year but not later than five years	-	-
	<b>14,101</b>	<b>15,887</b>

## Note 17. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Cash at bank	96,161	71,228
	<b>96,161</b>	<b>71,228</b>

## Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 17. Notes to the Statement of Cash Flows (continued)			
<b>(b) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit After Income Tax</b>			
Operating profit after income tax		42,099	84,955
Adjustments for non-cash income and expense items:			
Depreciation		5,344	16,163
Amortisation		-	2,000
Loss/(Gain) on sale of motor vehicle		-	6,577
(Increase) / decrease in assets:			
Market value adjustment		47,920	(11,703)
Accounts receivable		(15,314)	273
Deferred tax asset		-	-
(Decrease) / increase in liabilities:			
Accounts payable		5,353	-
Provisions and other liabilities		10,676	(43,658)
<b>Net cash from operating activities</b>		<b>96,078</b>	<b>54,607</b>

### Note 18. Directors' remuneration

The number of Directors who were paid, or were due to be paid remuneration (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the company or any related corporation, as shown in the following bands, were: 7 (5 in 2015)

The aggregate remuneration of all Directors was:	\$ 39,500	\$ 32,000
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# Notes to the financial statements (continued)

## Note 19. Financial instruments

### (a) Interest rate risk exposures

The company is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the company, together with effective interest rates as at balance date.

	Floating interest rate (a)	Fixed Rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
<b>2016</b>						
<b>Financial assets</b>						
Cash (i)	96,161			96,161	0.0%	
Term Deposits		21,111		21,111		2.0%
Accounts receivables			111,080	111,080		
Non current receivables			70,000	70,000		
	<b>96,161</b>	<b>21,111</b>	<b>181,080</b>	<b>298,352</b>		
<b>Financial liabilities</b>						
Accounts payable			-	-		
	-	-	-	-		
<b>2015</b>						
<b>Financial assets</b>						
Cash (i)	71,228			71,228	0.0%	
Term Deposits		20,595		20,595		2.5%
Accounts receivables			95,766	95,766		
Non current receivables			90,000	90,000		
	<b>71,228</b>	<b>20,595</b>	<b>185,766</b>	<b>277,589</b>		
<b>Financial liabilities</b>						
Accounts payable			-	-		
	-	-	-	-		

(i) The floating interest rate represents the rate applicable to the instrument at balance date.

(ii) The fixed interest rate represents the contract rates in place at balance date.

## Notes to the financial statements (continued)

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	Note	2016 \$	2015 \$
<b>Note 20. Remuneration of Auditors</b>			
The following total remuneration was received, or is due and receivable, by the Auditors of the company in respect of:			
- Auditing the financial statements		3,000	2,500
- Other services		-	425
<b>Total remuneration of Auditors</b>		<b>3,000</b>	<b>2,925</b>

## Note 21. Related party disclosures

Transactions undertaken on commercial terms and conditions

P Norman: Bookkeeping and secretarial fee		3,750	3,000
Frontier Assets Pty Ltd (R Sykes): Accounting fee		6,640	6,080
<b>Total related party payments</b>		<b>10,390</b>	<b>9,080</b>

## Note 22. Subsequent events

There have been no events after balance date which are likely to have a significant effect on the operations of the company.

## Note 23. Segment information

The company operates predominantly in one industry, the financial services industry. All operations are carried out in East Malvern, Victoria.

## Note 24. Contingent liabilities

The company is not aware of any contingent liability as at the date of this financial report.

# Directors' declaration

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The Directors of the company declare that:

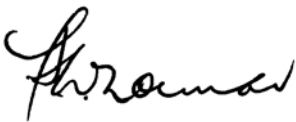
1. The financial statements and notes

(a) comply with applicable Accounting Standards and the Corporations Law; and

(b) give a true and fair view of the financial position at 30th June 2016 and performance for the year ended on that date of the company

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.

This declaration is made in accordance with a resolution of the Board of Directors.



**Peter Norman OAM**  
**Chairman**



**Ric Sykes**  
**Company Secretary**

Dated this 26 September 2016

# Independent audit report

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## Independent Audit Report

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TO THE MEMBERS OF THE EAST MALVERN COMMUNITY FINANCIAL SERVICES LIMITED.

### SCOPE

We have audited the financial report being the Director's Declaration, Profit & Loss Statement, Balance Sheet and Notes to the Financial Statements of East Malvern Community Financial Services Limited for the period 1<sup>st</sup> July 2015 to the 30<sup>th</sup> June 2016. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### AUDIT OPINION

In our opinion, the financial report of East Malvern Community Financial Services Limited is in accordance with:

- (a) the Corporations Law including:
  - (i) giving a true and fair view of the company's financial position as at 30<sup>th</sup> June 2016 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements

John Creffield  
202A Collins Street  
MENTONE Vic 3194  
Ph: (03) 9585 4837 Fax: (03) 9585 4837

John Creffield  
Principal



31/08/2016

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Phone: (03) 9563 6044 Fax: (03) 9563 5322

Franchisee: East Malvern Community Financial Services Limited  
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ABN: 27 089 542 174

Share Registry:  
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