

# 2018 Annual Report



East Malvern Community  
Financial Services Limited

ABN 27 089 542 174

East Malvern **Community Bank**® Branch

# Contents

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# Chairman's report

For year ending 30 June 2018

It is again my pleasure to report on another sound year for the company during which our branch displayed solid growth across many key metrics with Branch Revenue up 4%, total Lending up 4%, sponsorships up 18.6% and dividends up 6.8%. The year was not without challenges though with far higher Bendigo Bank corporate compliance and governance activity, significant competition for deposits, the resignation of our Branch Manager subsequent to year end and more recently the very sudden passing of one of founding Directors Cheryl Newsom. I want to place on record that Cheryl was the driving force in the Waverley Road Traders that instigated the public meetings that ultimately led to the formation of the East Malvern **Community Bank**<sup>®</sup> Branch. She was a member of the original Steering Committee, Director and Minute Secretary for the company from day one and her contribution will be sadly missed.

Despite the challenges and disruption faced this past year it is worth recognising another key milestone was passed this year with cumulative sponsorships and donations reaching \$4 million since the inception of the business. 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 321 across Australia and have collectively returned more than \$200 million in community grants, donations and sponsorships.

Financial metrics were as follows:

\$'000	2018	2017	
Revenue	1,386	1,380	up 0.4%
Operating profits before sponsorships and tax	629	622	up 1.1%
Sponsorships and donations	392	330	up 18.8%
Shareholder dividends (declared/paid)	110	103	up 6.8%
Branch footings	183.4 million	190.9 million	down 3.9%

In 2018 the branch operating profit was \$56,000 higher than the prior year boosted by a 4% growth in Branch Revenue while branch expenses were held flat year on year. Cash investment earnings were 11% lower as a consequence of reducing the size of the investment portfolio in the prior year. Investments and cash holdings now total \$1.029 million an increase of \$132,000 over the year with cash holdings equating to 34% (26% 2017) of Total Assets.

Operating results (\$'000)	1H18	2H18	Total 2018	1H17	2H17	Total 2017
<b>Banking</b>						
Branch revenue	654	663	1,317	624	642	1,266
Branch operating profit	264	296	560	201	303	504
Operating margin	40%	45%	42%	32%	47%	40%
<b>Investment Income</b>						
Cash investment earnings	49	29	78	59	29	88
Mark-to-market adjustment	6	(15)	(9)	50	(20)	30
<b>Operating Profit before Sponsorships and Tax</b>	<b>319</b>	<b>310</b>	<b>629</b>	<b>310</b>	<b>312</b>	<b>622</b>
<b>Sponsorships</b>			<b>(392)</b>			<b>(330)</b>
<b>Net profit before tax</b>			<b>237</b>			<b>292</b>

# Chairman's report (continued)

## Branch operations

Total Branch footings decreased by \$7.5 million or 3.9% over the past 12 months due to strong competition for deposits. There was a healthy 4.7% growth in lending which together with the loss of low margin Term Deposits and Treasury accounts flowed through to a much improved Branch Revenue Margin.

Our business footings by product and total Branch Revenues are as follows:

Product	2018 \$ million	2017 \$ million	2016 \$ million	2015 \$ million	2014 \$ million	2013 \$ million
Savings Accounts	22.0	24.3	14.1	10.2	9.2	8.5
Term Deposits/Treasury	54.4	61.9	57.5	59.1	68.8	76.0
Statement Accounts	35.6	35.8	34.4	30.3	21.8	19.3
Lending	62.9	60.1	58.4	44.3	41.6	41.2
Off Balance Sheet Business	8.5	8.8	8.9	7.0	8.6	7.8
<b>Total</b>	<b>183.4</b>	<b>190.9</b>	<b>173.3</b>	<b>150.9</b>	<b>150.0</b>	<b>152.8</b>
<b>Branch Revenue \$'000</b>	<b>1,317</b>	<b>1,266</b>	<b>1,151</b>	<b>1,073</b>	<b>1,078</b>	<b>1,153</b>
<b>Branch Revenue Margin</b>	<b>0.72%</b>	<b>0.66%</b>	<b>0.66%</b>	<b>0.71%</b>	<b>0.72%</b>	<b>0.75%</b>

The company's Branch Revenue Margin (Branch Revenue over Business Footings) improved by six basis points year on year to 0.72%.

## Community sponsorships

The company provides grants to many community groups throughout the year with 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 high profile 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. This year the company was again the principal sponsor for events such as the Central Park Wine and Food Festival, the Cystic Fibrosis Community Care Victoria annual ball and the Melbourne Racing Club's charity race day at Caulfield race course.

## Dividends

Reflecting the improved branch operating margin your Board has increased the final dividend for the year taking full year dividends to 28 cents (26 cents 2017) fully franked. Dividends for the year have comprised of an interim dividend of 13 cents (12 cents 2017) and a final dividend of 15 cents per share (14 cents 2017), payable on 31 October 2018 to all shareholders as at 30 September 2018.

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**<sup>®</sup> programme. Since the business started through to the current year, the cumulative returns to the community and shareholders are as follows:

Sponsorships and donations	\$3,996,000	70%
Dividends paid/payable to shareholders	\$1,141,000	20%
Retained earnings	\$ 559,000	10%
<b>Total</b>	<b>\$5,696,000</b>	<b>100%</b>

## Chairman's report (continued)

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The cumulative returns since the branch opened in May 2000 have now reached almost \$5,700,000 with \$555,000 being added in the last twelve months. Total dividends paid/payable to shareholders now equals 2.9 times the original capital raised.

### **Board of Directors**

The Board has responded to a significant increase in the compliance and governance requirements coming from Bendigo Bank which in part reflects the ongoing focus into financial services across the industry regulators and the ongoing Royal Commission into the financial service industry. I want to acknowledge the unstinting dedication and time they provide in making this company the success it is today.

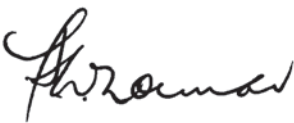
The Board comprises of:-

Peter W. Norman OAM – Chairman  
Stuart E. Martyn – Deputy Chairman  
Cheryl S. Newsom (valed 13 September 2018)  
Philip C. Carey  
Michael Arbon  
Anne Parsonson  
James Hayne  
Philip Williamson

As previously mentioned the sudden passing of Cheryl Newsom whose unbridled energy and passion were instrumental in establishing the East Malvern **Community Bank**<sup>®</sup> Branch will be sadly missed by the Board, her family and all who knew her.

I want to thank those who are currently supporting our **Community Bank**<sup>®</sup> branch with their banking business and look forward to that continuing support in the future. I hope you will have an opportunity in the near future to meet our new Senior Branch Manager Ruth Hall who started with us earlier this month. She comes with substantial business writing experience and in-depth knowledge of the Bendigo Bank network and structures. Ruth has already hit the ground running and I know she will be a good fit for the Branch, our customers and in turn for the company and its shareholders.

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**<sup>®</sup> 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

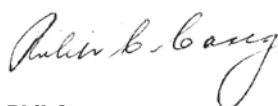
For year ending 30 June 2018

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 is 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 reached \$4 million.

This financial year, the company was proud to have supported 38 different organisations across the community funding a variety of initiatives with a total value of \$392,470 (\$329,851 (2017)).

<b>Sport</b>	<b>Community</b>
Caulfield Cricket Club	Camp Quality
Chadstone Bowls Club	Cystic Fibrosis Victoria
Collegians Football Club	East Malvern Combined Probus Club
De La Salle OC Football Club	Foodbank (Victoria)
East Malvern Tooronga Cricket Club	Garlston Park Girl Guides
East Malvern RSL Anglers Club	Golden Days Radio
Glendearg All Saints Malvern Tennis Club	Malvern Artists' Society
Maddie Riewoldt Vision	Malvern Historical Society
Malvern Bowling Club	Malvern Special Needs Play Group
Malvern Cricket Club	Phoenix Park Neighbourhood House
Malvern Junior Cricket Club	Stonnington Symphony
Melbourne Racing Club	
Monash Gryphons Amateur Football Club	<b>Education</b>
Old Xaverians Football Club	Oakwood School
Old Melbournians Amateur Football Club	Lloyd Street School
Powerhouse Amateur Football Club	
Prahran Amateur Football Club	<b>Country</b>
Prahran Cricket Club	Charlton & District <b>Community Bank</b> <sup>®</sup> Branch
St Kevins Old Boys Football Club	
Toorak Park Users Group	
Victorian Sub District Cricket Assn.	
VSDCA Umpires Association	
Victorian Amateur Football Association	
Veterans Cricket Victoria	

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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For year ending 30 June 2018

The net profit of the company for the financial year after providing for income tax amounted to \$163,871 (\$219,286 (2017)).

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 operating **Community Bank**<sup>®</sup> services 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 2017 of 14 cents (fully franked), an interim dividend for 2018 of 13 cents (fully franked), and the Board has recommended a final dividend of 15 cents (fully franked) to be paid on 31 October 2018 to all shareholders as at 30 September 2018.
- 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 24 September 2018.



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

# Secretary's report

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For year ending 30 June 2018

## **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	10
Cheryl Newsom	11
Philip Carey	10
Michael Arbon	10
Anne Parsonson	10
James Hayne	9
Philip Williamson	9



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



# Financial statements

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## Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>Current assets</b>			
Cash	17 (a)	414,815	296,177
Accounts receivable	5	106,550	108,744
Investments	6	22,029	21,586
<b>Total current assets</b>		<b>543,394</b>	<b>426,507</b>
<b>Non-current assets</b>			
Investments	7	592,264	601,125
Property, plant and equipment	8	27,909	34,559
Non current receivable	9	40,000	55,000
Intangibles	10	3,970	6,239
<b>Total non-current assets</b>		<b>664,143</b>	<b>696,923</b>
<b>Total assets</b>		<b>1,207,537</b>	<b>1,123,430</b>
<b>Current liabilities</b>			
Accounts payable	11	-	2,534
Provisions	12	145,284	154,485
Other	13	86,233	49,186
<b>Total current liabilities</b>		<b>231,517</b>	<b>206,205</b>
<b>Non-current liabilities</b>			
Provisions	14	22,342	17,014
<b>Total non-current liabilities</b>		<b>22,342</b>	<b>17,014</b>
<b>Total liabilities</b>		<b>253,859</b>	<b>223,219</b>
<b>Net assets</b>		<b>953,678</b>	<b>900,211</b>
<b>Shareholder's equity</b>			
Share capital	15	394,300	394,300
Accumulated profits	15	559,378	505,911
<b>Total shareholder's equity</b>		<b>953,678</b>	<b>900,211</b>

The accompanying notes form an integral part of this balance sheet.

## Financial statements (continued)

### Income Statement for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Margin income	2	1,197,604	1,145,449
Fee income		87,359	93,827
Commission income		31,700	27,186
Rent income		26,396	25,936
Interest income		7,230	656
Dividends and other investment income		35,272	91,629
Profit/(loss) on sale of fixed assets		-	(4,967)
<b>Total income</b>		<b>1,385,561</b>	<b>1,379,717</b>
Personnel expenses		430,885	384,105
Building occupancy expenses		113,480	111,909
Depreciation and amortisation		8,918	10,468
Sponsorships and donations		392,470	329,851
Other office expenses		204,985	251,104
Bad debt expense	2	351	150
Interest expense	2	-	-
<b>Total expenses</b>		<b>1,151,089</b>	<b>1,087,587</b>
Operating profit		234,472	292,130
Income tax expense	3	70,601	72,844
<b>Operating profit after income tax</b>		<b>163,871</b>	<b>219,286</b>
Dividends declared	4	(110,404)	(102,518)
Accumulated profits at the beginning of the financial year		505,911	389,143
<b>Accumulated profits at the end of the financial year</b>		<b>559,378</b>	<b>505,911</b>
<b>Earnings per share</b>		<b>41.6 cents</b>	<b>55.6 cents</b>

The accompanying notes form an integral part of this income statement.

## Financial statements (continued)

### Statement of Cash Flows for the Year Ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,443,715	1,390,344
Payments to suppliers, sponsors and employees		(1,231,370)	(1,197,861)
Dividends and other investment income		44,362	46,261
Interest received		7,230	656
Rent received		26,398	25,936
Income tax paid		(79,566)	(53,338)
<b>Net operating cash flows</b>	<b>17 (b)</b>	<b>210,769</b>	<b>211,998</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of motor vehicle		-	9,150
Fixed assets (acquired) / disposed		-	(49,477)
Net (investment) / disposal in sponsorship fund (ASX listed securities)		(229)	112,395
(Investment)/Redemption of term deposits		(443)	(475)
(Investment)/Repayment of loans to Sponsorship groups		15,000	15,000
<b>Net investing cash flows</b>		<b>14,328</b>	<b>86,593</b>
<b>Cash Flows from financing activity</b>			
Payment of dividends on ordinary shares		(106,461)	(98,575)
<b>Net financing cash flows</b>		<b>(106,461)</b>	<b>(98,575)</b>
Net increase/(decrease) in cash held		118,636	200,016
Cash at the beginning of the financial year		296,179	96,161
<b>Cash at the end of the financial year</b>	<b>17 (a)</b>	<b>414,815</b>	<b>296,179</b>

The accompanying notes form an integral part of this statement of cash flows.

## Financial statements (continued)

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### Statement of Changes in Equity for the year ended 30 June 2018

	<b>Issued capital \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
At 30 June 2016	394,300	389,143	783,443
Profit for the year		219,286	219,286
Dividends declared		(102,518)	(102,518)
<b>At 30 June 2017</b>	<b>394,300</b>	<b>505,911</b>	<b>900,211</b>
Profit for the year		163,871	163,871
Dividends declared		(110,404)	(110,404)
<b>At 30 June 2018</b>	<b>394,300</b>	<b>559,378</b>	<b>953,678</b>

The accompanying notes form an integral part of this statement of changes in equity.

# Notes to the financial statements

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For year ended 30 June 2018

## 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	2018 \$	2017 \$
<b>Note 2. Profit and loss items</b>			
Margin income	2	1,197,604	1,145,449
Fee income		87,359	93,827
Commission income		31,700	27,186
Rent income		26,396	25,936
Interest income		7,230	656
Dividends and other investment income		35,272	91,629
Profit/(loss) on sale of fixed assets		-	(4,967)
<b>Total income</b>		<b>1,385,561</b>	<b>1,379,717</b>
Operating result is after charging the following expenses:			
<b>Depreciation:</b>			
Depreciation of :			
- Fixtures and fittings		-	-
- Motor vehicles		6,650	5,364
Amortisation of			
- Establishment fees		2,269	5,104
<b>Total depreciation and amortisation</b>		<b>8,919</b>	<b>10,468</b>
Bad debt expense		351	150
Interest expense		-	-
<b>Other operating expense items:</b>			
Provision for employee entitlements		13,789	(9,189)
Operating lease rentals		99,124	95,764

## 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	234,472	292,130
Prima facie tax expense	64,480	80,336
Tax effect of permanent and other differences:	6,121	(7,492)
<b>Total income tax expense attributable to operating profit</b>	<b>70,601</b>	<b>72,844</b>

The value of franking credits as at 30 June 2018 was \$345,125 (\$308,931 (2017)).

## Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
<b>Note 4. Dividends paid and payable</b>			
<b>Dividends paid</b>			
Fully franked interim dividend (12 cents per share)		-	47,316
Fully franked interim dividend (13 cents per share)		51,259	-
<b>Dividends proposed</b>			
Fully franked final dividend (14 cents per share)		-	55,202
Fully franked final dividend (15 cents per share)		59,145	-
<b>Total dividends paid and payable</b>		<b>110,404</b>	<b>102,518</b>
<b>Note 5. Accounts receivable (current)</b>			
Accounts receivable		104,130	108,744
Sundry receivables		2,420	-
Provision for doubtful debts		-	-
<b>Total accounts receivable (current)</b>		<b>106,550</b>	<b>108,744</b>
<b>Note 6. Investments (current)</b>			
Term deposits		22,029	21,586
<b>Total investments (current)</b>		<b>22,029</b>	<b>21,586</b>
<b>Note 7. Investments (non-current)</b>			
Sponsorship Fund (ASX listed securities) at cost		496,103	495,874
Market value adjustment		96,161	105,251
<b>Total investments (non-current)</b>		<b>592,264</b>	<b>601,125</b>
<b>Note 8. Property, plant and equipment</b>			
Furniture and fittings at cost		-	-
Less accumulated depreciation		-	-
<b>Total fixtures and fittings, net</b>		<b>-</b>	<b>-</b>
Motor vehicles at cost		38,134	38,134
Less accumulated depreciation		(10,225)	(3,575)
<b>Total motor vehicles, net</b>		<b>27,909</b>	<b>34,559</b>
<b>Total property, plant and equipment, net</b>		<b>27,909</b>	<b>34,559</b>



## Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
<b>Note 9. Non current receivables</b>			
Loan to Toorak Park Users Group		40,000	50,000
St Kevins Old Boys Football Club		-	5,000
<b>Total non current receivables</b>		<b>40,000</b>	<b>55,000</b>

### Note 10. Intangibles

Franchise fee at cost		11,343	11,343
Less accumulated depreciation		(7,373)	(5,104)
<b>Total Intangibles, net</b>		<b>3,970</b>	<b>6,239</b>

### Note 11. Accounts payable (current)

Trade creditors – unsecured		-	2,534
<b>Total accounts payable (current)</b>		<b>-</b>	<b>2,534</b>

### Note 12. Provisions (current)

Employee entitlements		65,053	57,592
Dividends on ordinary shares		60,119	56,273
Income tax		20,112	40,620
<b>Total provisions (current)</b>		<b>145,284</b>	<b>154,485</b>

### Note 13. Other (current)

Net GST collected/(paid)		41,983	39,636
Accruals		38,000	3,300
Rental bond		6,250	6,250
<b>Total other liabilities (current)</b>		<b>86,233</b>	<b>49,186</b>

### Note 14. Provisions (non-current)

Employee entitlements		22,342	17,014
<b>Total provisions (non-current)</b>		<b>22,342</b>	<b>17,014</b>

## Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
<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		505,911	389,143
Operating profit after income tax expense		163,871	219,286
Dividends paid / payable	4	(110,404)	(102,518)
<b>Accumulated profits at the end of the financial year</b>		<b>559,378</b>	<b>505,911</b>

## Note 16. Commitments

Operating lease expenditure contracted for is payable as follows:

Not later than one year	99,124	16,454
Later than one year but not later than five years	186,333	-
	<b>285,457</b>	<b>16,454</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	414,815	296,177
	<b>414,815</b>	<b>296,177</b>

## Notes to the financial statements (continued)

	Note	2018 \$	2017 \$
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		163,871	219,286
Adjustments for non-cash income and expense items:			
Depreciation		6,650	5,364
Amortisation		2,269	5,104
Loss/(Gain) on sale of motor vehicle		-	4,967
(Increase) / decrease in assets:			
Market value adjustment		9,090	(29,860)
Accounts receivable		2,194	2,336
(Decrease) / increase in liabilities:			
Accounts payable		(2,534)	(2,819)
Provisions and other liabilities		29,229	7,620
<b>Net cash from operating activities</b>		<b>210,769</b>	<b>211,998</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 (7 in 2017)

The aggregate remuneration of all Directors was:	51,000	42,000
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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.

2018	Floating interest rate (a)	Fixed Rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
<b>Financial assets</b>						
Cash (i)	414,815			414,815	1.2%	
Term deposits		22,029		22,029		2.0%
Accounts receivables			106,550	106,550		
Non current receivables			40,000	40,000		
	<b>414,815</b>	<b>22,029</b>	<b>146,550</b>	<b>583,394</b>		
<b>Financial liabilities</b>						
Accounts payable			-	-		
	-	-	-	-		

2017	Floating interest rate (a)	Fixed Rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
<b>Financial assets</b>						
Cash (i)	296,177			296,177	0.9%	
Term deposits		21,586		21,586		2.2%
Accounts receivables			108,744	108,744		
Non current receivables			55,000	55,000		
	<b>296,177</b>	<b>21,586</b>	<b>163,744</b>	<b>481,507</b>		
<b>Financial liabilities</b>						
Accounts payable			2,534	2,534		
	-	-	<b>2,534</b>	<b>2,534</b>		

(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	2018 \$	2017 \$
<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	3,000
- Other services		-	-
<b>Total remuneration of Auditors</b>		<b>3,000</b>	<b>3,000</b>

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## Note 21. Related party disclosures

Transactions undertaken on commercial terms and conditions

P Norman: Bookkeeping fee		6,000	6,000
Frontier Assets Pty Ltd (R Sykes): Accounting fee		7,200	6,600
<b>Total Related Party payments</b>		<b>13,200</b>	<b>12,600</b>

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## 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 30 June 2018 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**  
**Chairman**



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

Dated this 24 September 2018

# 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 2017 to the 30<sup>th</sup> June 2018. 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 2018 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  
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MENTONE Vic 3194  
Ph: (03) 9585 4837 Fax: (03) 9585 4837



**John Creffield**  
**Principal**

12/09/2018

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