

Highett
Community BankSM Branch

Switch to us and your
community wins

322-324 Highett Road
Phone 9555 6055

 **Bendigo Bank**

HIGHETT COMMUNITY FINANCIAL SERVICES LIMITED



ANNUAL REPORT 2013

Chairman's Report

For year ended 2013



This is the 13th consecutive year I have reported as Chairman and now it is time to hand the baton to another. However, I will be continuing as Director and taking on the position of Company Secretary .

In preparing this report, bearing in mind my imminent change in role with the company and being the only original director remaining, I paused to consider past achievements and I looked first at our company prospectus wherein we stated (in explaining what a community bank was):

"Briefly it works like this;

- *The Community Bank (company) will buy the right to operate a Bendigo Bank Branch*
- *Revenue will be shared between Bendigo Bank and our Community Bank*
- *Highett Village Community Bank pay all the local branch operating costs. Bendigo Bank pays for support services.*
- *Whatever profit we make from our share of the revenue, will be available for distribution to shareholders and the community."*

This simple proposal attracted our community to invest in the company despite the fact that their personal return by way of dividend would always be limited to a maximum of 20% of net profits in any one year.

Our record:

- **\$346,790 Dividends to shareholders** – if you purchased shares from the prospectus you have had 67.24% of that purchase returned to you
- **\$552,443 sponsorships and donations** in our community
- **\$734,933 in Grants** to community groups and organisations

We have returned to our community a total of \$1,634,166 since we commenced trading in March 2001

Over and above these cash injections is the impact we have made in community strengthening and I refer to a number of notable examples including:

- Assisting Berendale Secondary School to build a new hydrotherapy pool by underwriting a \$600,000 investment that attracted the entire cost from Grants and donations. Now this pool is used by a number of local community service providers as well as the school
- Providing a \$50,000 community Bus used around Bayside
- Contributing over \$120,000 to our Smart Kidz or Education Support Fund run by BAYCISS to assist young children attending schools in the Highett, Moorabbin, Hampton East and North Cheltenham area.

- Established a \$1,500 annual Community Service Award to honour outstanding community service in our community
- Making a three year \$30,000 commitment to sponsor the Applied learning Awards, a unique forum in our region honouring outstanding efforts by young people in Vocational Education and Training in Schools; and we have continued to award our Applied learning \$1,500 scholarship.
- We have made contributions to many diverse organisations – over 40 in our community – so as to provide a better place for all our residents.
- Assistance to community organisations needing a helping hand to once again become viable

We have also made some very substantial commitments to assist organisations that have or will take place in financial year 2013/14.

This year our returns are slightly lower than in 2012 given the overall economic circumstances and the general trend to paying down debt coupled with lower interest rates impacting substantially on margins.

Despite this we have increased our business holdings by 8.33% and our customer base remains very strong and marginally increasing.

We have also had some additional costs this year which were abnormal one off items.

Net operating profit and returns for year ending 30th June 2013*

- Before balance day adjustments

Total Gross income	\$955,009
LESS	
Expenses	822,345*
• Includes \$20,750 one off abnormal costs	
Net income	132,664
ADD Community Returns* paid out of 2012/13 income	151,094
Net Operating Profit	283,758*

- The "profit from ordinary activities" shown in the financial statements this year includes all deductible Community Returns paid during the financial year and thus is a lesser figure by comparison with the previous year.
- **Community Returns:**

Sponsorships	\$91,179
Donations	3,750
Grants	56,165

I am confident that our company is in a position to consolidate and grow further. However, we are in a period where business is far more difficult and concentrated than in previous times.

When interest rates are comparatively low, normally there is a flight from term deposits into other higher yield products such as property and shares. Equally many mortgage holders retain the level of their repayments and pay down debt more rapidly.

In our case our level of term deposits has remained static and I believe that shows firstly the confidence our customers have in Bendigo Bank and secondly a reluctance to risk their capital elsewhere in a very uncertain environment.

Equally, despite our customer debt repayments having increased we are experiencing an increased level of lending and again I am of the view this shows confidence in us and our standing in the community.

For all these reasons I believe we are in good health.

We are also taking action to consolidate our business model and are proposing a 10% return of capital. This will not only be a “thank you” to those many shareholders who originally took up shares simply so we could exist without any real evidence of certainty of return. We will also be in a stronger equity position so as to ultimately increase even further our community and shareholder returns.

STAFF:

We have had a strong and active team led by Manager, **CHRIS WHEELER** and once again they have delivered on budget.

Please avail yourselves of the opportunity to talk to any one of our team on any “money matter” as they are there to help.

Frontline staff are the lifeblood of the company and we have a very good frontline.

DIRECTORS:

Last year we welcomed three new directors and, for various reasons, for most of the year we have had to work without them.

Adrienne Long was our Company Secretary and resigned because she and her family moved a long way out of our area.

Andrea Webster unfortunately had to resign because of work commitments, and

Zoe Quinn has been given a leave of absence to become a mother and look after her young infant. We are pleased to say Zoe and baby are going well and hopefully she will soon take up duties as a Director.

Our constitution requires that three directors **MUST** retire each year and the following; Nola McConchie, Brian Octigan & Ian Orchard do so and offer themselves for re-election.

As I remind shareholders each year your Directors are volunteers.

It's not an easy thing being a director of a public company – especially a community bank company.

Apart from the need to be aware of one's statutory responsibilities, our company directors have to get their head around a voluminous and complicated Franchise Agreement, determine budgets, pore over financial reports, look at business improvements and become good at marketing – and then go out amongst the community telling our story and help develop our community.

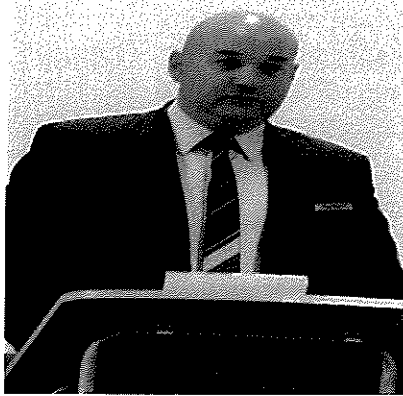
Without dedicated people as directors who do what they do because they want to give to their community there would be no community bank in Highett.



Les Heimann CPA

Manager's Report

For year ended 30 June 2013



With the Highett Community bank having just completed its 12th year of operation who would have thought that we would return \$1,634,166.00 back to the community (as per our chairman's report); a truly outstanding achievement.

Our branch had a most successful year improving our overall bank holdings by \$8.3 million dollars to \$134.8 million. Our aim is to continue to improve even further next year in what appears to be challenging times ahead so we can continue to assist many community and sporting groups within our area.

As branch manager I am extremely lucky to be supported by a wonderful team of staff. We welcomed a new customer service officer in Nicola Cunningham this year and I thank our existing staff of ,Kate,Rachelle and Robyn for their continued support and exceptional service they provide to all new and existing customers.

I would like to thank the staff, board of directors and also the Bendigo and Adelaide Bank Bayside Region for their positive input and encouragement over the last 12 months.

Finally, to our current shareholders and customers thank you for your ongoing business and I trust that you continue to bank with Highett Community Bank to ensure we further grow and prosper.

Chris Wheeler

Branch Manager

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683

Financial Statements
For the year ended 30 June 2013

Contents

Directors' Report
Detailed Income Statement
Income Statement - by Nature
Statement of Comprehensive Income
Balance Sheet
Statement of Changes in Equity
Statement of Cash Flows
Notes to the Financial Statements
Directors' Declaration

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Directors' Report

Your directors present this report on the company for the financial year ended 30 June 2013.

Directors

The names of the directors in office at any time during or since the end of the year are:

Name of Director	Period as Director	Qualifications & Special Responsibilities	
Leslie S Heimann	2000-2013	Accountant	Chairman, Audit & Governance
Nola L McConchie	2001-2013	Chartered Tax Adviser	Treasurer, Finance Committee and HR Chair
Brian Octigan (Leave of absence)	2001-2013	Surveyor	Share Registrar, Audit Committee, Property Committee
Ross H Newton OAM (Leave of absence)	2003-2013	Retired	Finance Chair, Marketing Committee
Ian Orchard	2008-2013	IT Consultant	Marketing Chair
Robyn Cochrane	2008-2013	Project Manager	HR Committee, Community Reference Group
Zoe A Quinn (Maternity Leave)	2012-2-13	Government Manager	Marketing Committee
Andrea I Webster Resigned 30.4.13	2012	Business Owner, Nurse	Marketing Committee
Adrienne M Long Resigned 30.4.13	2012	Accountant	Secretary, Audit & Governance Chair
Maree Bowker	2012-2013		Marketing Committee

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Directors' Meetings

During the year 11 Directors' meetings were held. Attendances by each Director during the year were as follows:

	Number of Meetings held While a Director	Number of Meetings Attended
Leslie S Heimann	11	11
Nola L McConchie	11	9
Brian Octigan	11	8
Ross H Newton OAM	11	9
Ian Orchard	11	11
Robyn Cochrane	11	9
Zoe A Quinn	8	6
Andrea Webster	9	9
Adrienne Long	9	5
Maree Bowker	7	7

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Directors' Report

Operating Result

The profit of the company for the financial year after providing for 2013 community returns and income tax amounted to:

Year ended 30 June 2013	Year ended 30 June 2012
\$ 59,965	\$ 203,924

Review of Operations

A review of the operations of the company during the financial year and the results of those operations report a downturn in income received from the Bendigo and Adelaide Bank, however our Staff have worked extremely hard in increasing our Banking Assets.

Principal Activities

The principal activities of the company during the course of the year were Financial Services. No significant change in the nature of these activities occurred during the year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

Future Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the operations in future financial years.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

The 2012 dividend of \$ 51575.00 (\$ 0.10 per share) referred to in the previous directors' report dated was paid in December 2012.

Options

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.

Directors' Interests in Shares of the Company or Related Bodies Corporate

The particulars of shares held by the directors of the company in the company or in related bodies corporate which are required to be declared in the register of directors' share holdings are as follows:

Name of director	Shareholding
Leslie S Heimann	500
Nola L McConchie	1500

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Directors' Report

Brian Octigan	500
Ross Newton OAM	1000
Ian Orchard	500
Maree Bowker	500

Directors' Benefits

No director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the company or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest, other than Mallee and City Management Services, the firm which produce the Financial Report for the Annual Report.

Indemnifying Officer or Auditor

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, to any person who is or has been an officer or auditor of the company.

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.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included.

Signed in accordance with a resolution of the Board of Directors:



Leslie S Heimann
Director



Ross H Newton OAM
Director

Dated:
23/10/2013

HIGHETT COMMUNITY FINANCIAL SERVICES LTD

ABN 23 094 393 683

**Income Statement - by Nature
For the year ended 30 June 2013**

	Note	2013 \$	2012 \$
Income			
Upfront Product Commission		7,458	9,800
Trailer Product Commission		240,450	250,819
Fee Income		88,499	86,765
Market Development Fund		50,000	50,000
EFTPOS Terminal Rental		1,093	11,230
Interest received			
- Interest Business Cheque Account		6	6
- Interest Market Development Fund			
- Interest Bendigo Term Deposit		<u>23,733</u>	<u>28,124</u>
Total Interest received		23,739	28,130
Gross Margin		<u>543,776</u>	<u>558,694</u>
<u>Total income</u>		\$955,015	\$995,437
Expenses			
Accountancy		1,500	2,564
Advertising and promotion		21,999	19,646
Marketing		7,924	4,789
Agency fees		144	786
ATM - Discrepancies		(425)	(211)
ATM - Cash Delivery		3,714	3,671
ATM - Leasing		872	2,028
ATM - Maintenance		1,509	1,145
ATM - Switching Fee		1,237	1,447
ATM - Consumables		75	41
Audit fees		3,119	2,574
Bad Debts		1,621	1,744
Bank Fees And Charges		2,759	1,988
Board Expenses		7,691	6,813
Bookkeeping Expenses		17,050	15,405
Cash Delivery		3,152	2,900
Cash Management		528	518
Cleaning/rubbish removal		7,212	7,448
Delivery		8,236	7,951
Depreciation - other		8,659	9,195
Amortisation NPP		10,000	10,000
Donations - Community Returns		3,750	40
Electricity		10,166	9,505
Expensed Equipment		1,691	

HIGHETT COMMUNITY FINANCIAL SERVICES LTD

ABN 23 094 393 683

**Income Statement - by Nature
For the year ended 30 June 2013**

	Note	2013 \$	2012 \$
Credit Checks/Search Fees		3,056	
ASIC Fees		1,156	1,069
Grants – Community Returns		56,165	
Insurance		16,710	16,492
IT Running Costs		5,946	5,499
I T Support Costs		21,416	21,190
IT Lease payments		34,855	35,193
Legal fees		91	91
Loss On Disposal Of Assets		3,977	
M/V car - Depreciation		15,867	6,798
M/V car - Fuel & oil		3,771	4,067
M/V car - Insurance		778	640
M/V car - Repairs		4,980	1,004
M/V car - Other		817	940
Postage		2,278	2,233
Printing & stationery		19,689	20,749
Procedural Errors		17,689	3,726
Provision For Annual Leave		(3,420)	4,669
Provision For Long Service Leave		(2,741)	8,489
Rates & land taxes		5,055	3,322
Rent on land & buildings		58,195	58,625
Repairs & maintenance - Office machines		159	
Repairs & M'ance - Furniture & Fittings		274	1,108
Repairs & Maintenance - Buildings		10,278	4,827
Replacements (tools, etc)			510
Security		1,555	1,488
Sponsorship		90,979	73,675
Staff amenities		6,285	4,156
Other Employer Expenses			3,224
Staff training		6,600	8,205
Staff Uniforms		2,573	
Subscriptions		771	709
Superannuation		32,499	28,863
Telephone		8,287	6,496
Travel, accom & conference		4,944	1,995
Wages		315,249	307,625
WorkCover		1,025	932
Total expenses		<u>871,991</u>	<u>750,596</u>
Profit from Ordinary Activities before income tax		\$ 83,024	\$244,840

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Income Statement - by Nature
For the year ended 30 June 2013

	Note	2013 \$	2012 \$
Classification of Expenses by Nature			
Revenues from ordinary activities	2	955,015	995,437
Borrowing costs expense	3	(34,855)	(35,193)
Depreciation and amortisation expenses	3	(34,526)	(25,993)
Other expenses from ordinary activities		<u>(802,610)</u>	<u>(689,411)</u>
Profit from ordinary activities before income tax	2	83,024	244,840
	3		
Income tax expense relating to ordinary activities	4	<u>(23,059)</u>	<u>(40,917)</u>
Net profit attributable to members of the company		<u>\$59,965</u>	<u>\$203,924</u>

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue	2	<u>955,015</u>	<u>995,437</u>
Gross profit		955,015	995,437
Distribution expenses		(11,917)	(11,369)
Marketing		(30,066)	(25,221)
Administration expenses		(795,153)	(678,814)
Finance Costs		<u>(34,855)</u>	<u>(35,193)</u>
Operating profit before income tax		83,024	244,840
Income tax attributable to operating profit (loss)	4	<u>23,059</u>	<u>40,917</u>
Operating profit after income tax		59,965	203,924
Retained profits at the beginning of the financial year		<u>290,218</u>	<u>259,547</u>
Total available for appropriation		350,183	463,471
Dividends provided for or paid	6	<u>51,575</u>	51,575
Other appropriations			121,678
			<u>173,253</u>
Retained profits at the end of the financial year		<u>\$298,609</u>	<u>\$290,218</u>
Total comprehensive income for the year		\$298,609	\$290,218

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Balance Sheet As At 30 June 2013

	Note	2013 \$	2012 \$
Current Assets			
Cash assets	7	578,752	575,852
Receivables	8	73,390	74,827
Other	9	<u>43,368</u>	<u>57,521</u>
Total Current Assets		\$695,510	\$708,200
Non-Current Assets			
Property, plant and equipment	10	214,323	209,563
Intangible assets		<u>26,110</u>	<u>36,110</u>
Total Non-Current Assets		\$240,433	\$245,673
Total Assets		\$935,943	\$953,873
Current Liabilities			
Payables		782	
Current tax liabilities	11	42,302	63,243
Provisions	12	<u>53,147</u>	<u>59,308</u>
Total Current Liabilities		\$ 96,231	\$122,551
Total Liabilities		\$ 96,231	\$122,551
<u>Net Assets</u>		\$839,712	\$831,322
		=====	=====
Equity			
Contributed equity	13	515,750	515,750
Reserves	5	25,354	25,354
Retained profits		<u>298,608</u>	<u>290,218</u>
Total Equity		\$839,712	\$831,322
		=====	=====

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Statement of Changes in Equity

	Notes	Retained Profits	Total
Balance at 01/07/2011		\$259,547	
Profit attributable to the Members		203,924	203,924
Dividends provided for or paid		(51,575)	(51,575)
HCFS Limited Community Returns		(121,678)	(121,678)
		-----	-----
Balance at 30/06/2012		\$290,218	\$290,218
Profit attributable to the Members		59,965	59,965
Dividends provided for or paid		(51,575)	(51,575)
Balance at 30/06/2013		\$298,608	\$281,760
		=====	=====

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Statement of Cash Flows
For the year ended 30 June 2013

	2013	2012
	\$	\$
Cash Flow From Operating Activities		
Receipts from customers	931,276	970,082
Payments to Suppliers and employees	(777,969)	(628,371)
Interest received	23,739	28,130
Interest and other costs of finance	(34,855)	(35,193)
Income tax paid	<u>(40,917)</u>	<u>(55,310)</u>
Net cash provided by (used in) operating activities (note 2)	\$101,274	\$279,338
Cash Flow From Investing Activities		
Payment for:		
Other Assets	(43,368)	(57,521)
Payments for property, plant and equipment	<u>(9,047)</u>	<u>(2,200)</u>
Net cash provided by (used in) investing activities	\$(52,415)	\$(59,721)
Cash Flow From Financing Activities		
Repayment of borrowings	(184)	
Dividends paid	<u>(51,575)</u>	(51,956)
HCFS Limited Community Returns		<u>\$(121,678)</u>
Net cash provided by (used in) financing activities	\$ (51,759)	\$(173,634)
Net increase (decrease) in cash held	2,900	45,983
Cash at the beginning of the year	<u>575,852</u>	<u>529,869</u>
Cash at the end of the year (note 1)	<u><u>\$578,752</u></u>	<u><u>\$575,852</u></u>

The accompanying notes form part of these financial statements.

HIGHETT COMMUNITY FINANCIAL SERVICES LTD

ABN 23 094 393 683

Statement of Cash Flows

For the year ended 30 June 2013

2013

2012

Note 1. Reconciliation Of Cash

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.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash At Bank	32,477	14,841
Market Development Fund	3,926	7,360
Bendigo Business Non-Cheque Account	745	745
Bendigo Everyday Business Account	9,821	3,822
Cash on hand	200	200
Terminal (EFTPOS) Rental Account	269	89
Bendigo Term Deposit	526,955	544,802
Accrued Interest Receivable	<u>4,359</u>	<u>3,994</u>
	<u>\$578,752</u>	<u>\$575,852</u>

Note 2. Reconciliation Of Net Cash Provided By/Used In Operating Activities To Net Profit

Operating profit (loss) after tax	59,965	203,924
Depreciation	24,526	15,993
Amortisation	10,000	10,000
Increase/(decrease) in provision for income tax	(1,009)	(14,393)
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	1,621	4,519
Increase (decrease) in trade creditors and accruals	782	
Increase (decrease) in employee entitlements	(6,161)	13,157
Increase (decrease) in sundry provisions	<u>11,550</u>	<u>46,138</u>
Net cash provided by operating activities	<u>\$101,274</u>	<u>\$279,338</u>

HIGHETT COMMUNITY FINANCIAL SERVICES LTD

ABN 23 094 393 683

Notes to the Financial Statements

For the year ended 30 June 2013

2013

2012

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers HIGHETT COMMUNITY FINANCIAL SERVICES LTD as an individual entity. HIGHETT COMMUNITY FINANCIAL SERVICES LTD is a company limited by shares, incorporated and domiciled in Australia.

The financial report of HIGHETT COMMUNITY FINANCIAL SERVICES LTD complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(A) Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(B) Accounting Policies

Income tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 tax legislation and the anticipation that the economic entity 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

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

a) Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

b) Plant and equipment

HIGHETT COMMUNITY FINANCIAL SERVICES LTD

ABN 23 094 393 683

Notes to the Financial Statements

For the year ended 30 June 2013

2013

2012

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

The cost of fixed assets constructed within HIGHETT COMMUNITY FINANCIAL SERVICES LTD includes the cost of materials, direct labor, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the assets original cost is transferred from the revaluation reserve to retained earnings.

c) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to HIGHETT COMMUNITY FINANCIAL SERVICES LTD commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate %
Buildings	[0-40 %]
Leasehold improvements	[0-40 %]
Plant and equipment	[0-40 %]
Plant and equipment leased to external parties	[0-40 %]
Other plant and equipment	[0-40 %]
Motor vehicles	[0-40 %]
Other	[0-40 %]

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to HIGHETT COMMUNITY FINANCIAL SERVICES LTD are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683

Notes to the Financial Statements
For the year ended 30 June 2013

2013

2012

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that HIGHETT COMMUNITY FINANCIAL SERVICES LTD will obtain ownership of the asset or over the term of the lease

Lease payments under operating leases, where substantially all the risks and benefits remain with the leaser, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight - line basis over the life of the lease term.

Impairment of Assets

At each reporting date, the directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs.

Intangibles

a) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Employee Benefits

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year have been measured at the amount expected to be paid when the liability is settled, plus related on-costs. Employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Provisions

Provision are recognised when HIGHETT COMMUNITY FINANCIAL SERVICES LTD has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefit will result and that the outflow can be measured reliably.

Cash and Cash Equivalentents

Cash and Cash Equivalentents includes cash on hand, deposits held at call with banks or financial institutions, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683

Notes to the Financial Statements
For the year ended 30 June 2013

2013

2012

All revenue is stated net of the amount of goods and services tax (GST).

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred

Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative Figures

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

a) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report 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 internally.

Note 2: Revenue and Other Income

Revenue:

Interest revenue*	23,739	28,130
Upfront Product Commission	7,458	9,800
Trailer Product Commission	240,450	250,819
Fee Income	88,499	86,765
Market Development Fund	50,000	50,000
EFTPOS Terminal Rental	1,093	11,230
Gross Margin	<u>543,776</u>	<u>558,694</u>
	\$955,015	\$995,437

***Interest from:**

Bendigo and Adelaide Bank	23,739	28,130
---------------------------	--------	--------

Note 3: Profit from Ordinary Activities

Profit (loss) from ordinary activities before income tax has been determined after:

Charging as Expense:

Amortisation of non-current assets:

- Other intangibles	10,000	10,000
Total amortisation expenses	10,000	10,000
Bad and doubtful debts	1,621	1,744

Borrowing costs:

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683

Notes to the Financial Statements
For the year ended 30 June 2013

	2013	2012
- Other persons	<u>34,855</u>	<u>35,193</u>
Total borrowing costs	34,855	35,193
Depreciation of non-current assets:		
- Motor vehicles	15,867	6,798
- Other	<u>8,659</u>	<u>9,195</u>
Total depreciation expenses	24,526	15,993

Note 4: Income Tax

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

Prima facie income tax payable on operating profit at 30% (prior year 30%)

	24,907	73,452
Add:		
Tax effect of:	-	-
- Other non-allowable items	<u>(1,848)</u>	<u>3,968</u>
	23,059	77,420
Less:		
Tax effect of:	-	-
PAYG Instalments	43,368	57,521
HCFS Limited Community Returns		36,503

Income tax expense attributable to profit from ordinary activities

	<u>23,059</u>	<u>40,917</u>
--	---------------	---------------

Income tax expense (refund) attributable to:

Ordinary activities	\$(20,309)	\$(16,604)
	<u>=====</u>	<u>=====</u>

Note 5: Reserves

Balance at the beginning of the reporting period

- Fixed Asset Reserve	<u>25,354</u>	<u>25,354</u>
Balance at the reporting date		
- Fixed Asset Reserve	<u>\$25,354</u>	<u>\$25,354</u>
	<u>=====</u>	<u>=====</u>

Note 6: Dividends

Dividends provided for or paid	<u>\$51,575</u>	<u>\$51,575</u>
	<u>=====</u>	<u>=====</u>

Note 7: Cash assets

Bank accounts:

- Cash At Bank	32,477	14,841
----------------	--------	--------

HIGHETT COMMUNITY FINANCIAL SERVICES LTD

ABN 23 094 393 683

Notes to the Financial Statements

For the year ended 30 June 2013

	2013	2012
- Market Development Fund	3,926	7,360
- Bendigo Business Non-Cheque Account	745	745
- Bendigo Everyday Business Account	9,821	3,822
Other cash items:		
- Cash on hand	200	200
- Terminal (EFTPOS) Rental Account	269	89
- Bendigo Term Deposit	526,955	544,802
- Accrued Interest Receivable	<u>4,359</u>	<u>3,994</u>
	\$578,752	\$575,852

Reconciliation of Cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	\$578,752	\$575,852
--------	------------------	------------------

Note 8: Receivables

Current

Trade debtors	73,206	74,827
Other loans	<u>184</u>	
	\$73,390	\$74,827

Note 9: Other Assets

Current

Other	\$43,368	\$57,521
-------	-----------------	-----------------

Note 10: Property, Plant and Equipment

Leasehold improvements:

- At cost	221,797	221,797
- Less: Accumulated depreciation	<u>(46,026)</u>	<u>(39,854)</u>
	175,771	181,943

Other plant and equipment:

- At cost	22,730	28,503
- Less: Accumulated depreciation	<u>(18,609)</u>	<u>(23,322)</u>
	4,121	5,181

Motor vehicles:

- At cost	43,824	47,098
- Less: Accumulated depreciation	<u>(10,824)</u>	<u>(26,702)</u>
	33,000	20,396

Other property, plant and equipment:

- At cost	10,009	10,009
- Less: Accumulated depreciation	<u>(8,579)</u>	<u>(7,966)</u>
	<u>1,430</u>	<u>2,043</u>

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683

Notes to the Financial Statements
For the year ended 30 June 2013

	2013	2012
	<u>\$214,323</u>	<u>\$209,563</u>
Note 11: Tax Liabilities		
Current		
GST payable control account	8,711	8,043
Input tax credit control account	(6,524)	(8,440)
Taxation	23,059	40,917
PAYG Instalments	10,842	16,007
TFN withholding tax	1,001	1,001
Amounts withheld from salary and wages	<u>5,213</u>	<u>5,715</u>
	\$42,302	\$63,243

Note 12: Provisions

Current

Dividends	2,380	2,380
Employee entitlements*	<u>50,767</u>	<u>56,928</u>
	\$53,147	\$59,308
* Aggregate employee entitlements liability	\$50,767	\$56,928

There were 5 employees at the end of the year

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value and future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been included in Note: Statement of significant account policies.

Note 13: Contributed Capital

515750 Ordinary shares at \$1.00 each fully paid

	\$515,750	\$515,750
--	------------------	------------------

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 14: Superannuation Commitments

The entity participated in Bendigo Superannuation Fund, Australian Super and REST to provide benefits to employees on retirement, death or disability.

Defined Contribution Plan

Benefits provided under the plan are based on accumulated contributions and earnings for each employee.

Employees contribute various percentages of their gross income and the company also contributes at the rate of 12%.

**HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683**

**Notes to the Financial Statements
For the year ended 30 June 2013**

2013

2012

Note 15: Auditors' Remuneration

Remuneration of the auditor of the company for:

Auditing or reviewing the financial report

\$3,119

\$2,574

HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683
Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards and the Corporations Regulations; and

(b) give a true and fair view of the company's financial position as at 30 June 2013 and of its 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.

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



Leslie S Heimann
Director



Ross H Newton OAM
Director

Dated: 23/10/2013

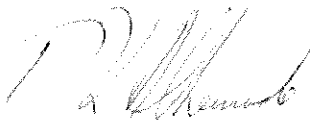
**AUDITOR'S INDEPENDENCE DECLARATION TO THE MEMBERS OF
HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683**

To Highett Community Financial Services Ltd

As lead auditor for the audit of Highett Community Financial Services Ltd for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the independence requirements of the Corporations Act in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

ALKEMADE & ASSOCIATES
Certified Practising Accountants



DONALD K ALKEMADE
Registered Auditor 8040
Melbourne
Date: 27th day of September 2013

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
HIGHETT COMMUNITY FINANCIAL SERVICES LTD
ABN 51 004 313 142**

We have audited the attached financial report of Highett Community Financial Services Ltd for the year ended 30 June 2013. The Directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

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 and other mandatory professional reporting requirements in Australia 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.

Unqualified Audit Opinion

In our opinion, the financial report of Highett Community Financial Services Ltd is in accordance with:

1. the Corporations Act 2001, including:
 - (a) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
 - (b) complying with Accounting Standards to the extent described in Note 1 and the Corporations Regulations; and
2. other mandatory professional reporting requirements to the extent described in Note 1

ALKEMADE & ASSOCIATES
Certified Practising Accountants



DONALD ALKEMADE
Registered Auditor 8040
Melbourne
Date: 27th day of September 2013