

Highett Community Financial Services Limited

ACN: 094 393 683



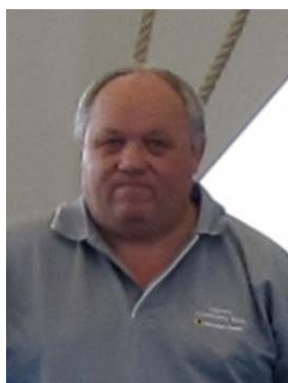
ANNUAL REPORT 2014

www.highettcb.com

Annual Report
for the year ended 30 June 2014

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Chairman's Report
For the year ending 30 June 2014



As the new Chairman of Highett Community Financial Services Limited it gives me great pleasure to present our Annual Report for the first time.

Business

The last financial year has again been a challenging time for all within the banking sector. We did increase our total business holdings marginally, however due to the extremely competitive environment we failed to achieve our budgeted growth targets and income for the year. We also continued to suffer reduced profit margins as a result of the final tranche of the Bendigo Bank 'Restoring the Balance' exercise. Expenses have increased but this was due to our generosity in providing 'Sponsorships, Grants and Donations' to our community, our normal operating expenses were reduced in line with budget.

Net Operating Profit

Total Gross Income	\$878,981	Down 7.96% from prior year
Less Total Expenses	<u>\$846,442</u>	Up 2.93% from prior year
Net Income	\$32,539	
Add Community Returns	\$170,736	
Net Operating Profit	\$203,275	Down 28.36% from prior year

Community Returns

Sponsorships	\$60,309	
Grants and Donations	<u>\$110,427</u>	
	\$170,736	Up 13.15% from prior year

The overall result when compared against previous results was a little disappointing and highlights the need to focus on growth and be ever watchful in regard to our expenses. However based on our balance sheet, which is strong, and as no dividend was declared in the prior year in lieu of a 10% Share Capital Redemption, the board is recommending a 6% fully franked dividend be paid to our shareholders.

Going forward we have budgeted for modest income growth. In setting this goal we have been mindful of the very competitive nature of the current banking environment. We are developing initiatives to grow our business and will be looking at ways to keep expenses at reasonable levels. We have implemented changes to our Sponsorship programs to better link sponsorship to generation of business. The Community Bank Model is currently being reviewed by Bendigo Bank, we have been involved in the process, the impact of this review should be known by the end of the calendar year.

Community

Over the year we have provided support to 40 local organisations. Significant funding has been provided to BAYCISS (Smart Kids Program), Riding for Disabled based in Moorabbin (New Horse), Highett Bowls Club (New Greens), Moorabbin Bowls Club (New Shelters), Berendale School (Leased Vehicle), BGKLEN/Youth Connect (Applied Learning Awards) and the Highett Youth Club (Interest Free Loan).

Our total returns to date are:

Dividends/Returns to Shareholders	\$398,365 (77% return to initial shareholders)
Sponsorships and Donations	\$613,752
Grants	<u>\$844,360</u>
Total Community Returns	\$1,856,477

Branch Staff

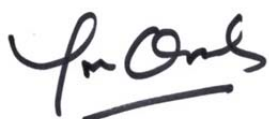
We continue to have a good team led by our Branch Manager, Chris Wheeler. The team has been very stable over the reporting period with the only change being when Daniel Leonov joined us as a Customer Service Officer. Daniel had spent some previous time with us when he was engaged in a work experience program, so I am very pleased as a result of that program he has been recruited to join our team.

Our frontline branch staff continue to be the lifeblood of the company and we have a very good and dependable frontline.

Board Directors

Earlier in the year, I wrote to all shareholders noting that it would be good to get some additional directors. As a result we have welcomed one new director, Mr Atul Nayak who is a current shareholder. Atul has experience in various Accountant and Finance roles and is currently a Member of the Finance Sub-committee and the Audit and Governance Sub-Committee.

All our Directors are unpaid volunteers and I thank them for their valued support, especially in my first year as Chairman.



Ian Orchard
Chairman

Branch Manager's Report
For the year ending 30 June 2014



With the Highett Community Bank having just completed its 13th year of operation, who would have thought that we would have been able to return over \$1,856,477 back to the community in the form of Grants, Sponsorships and Dividends.

Over the year our overall footings (i.e. total business held by Bendigo Bank) increased by \$4.2 million to \$138.9 million. Our aim is to continue to improve our current footings next year in what appears to be challenging times ahead so we can continue to support 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 Daniel Leonov and I thank our existing staff of Kate, Rachelle and Robyn for their continued support and exceptional customer service that 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 continued support and assistance over the last 12 months.

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

Chris Wheeler
Branch Manager

Directors' Report
for the year ended 30 June 2014

Your directors submit the Financial Statements of the company for the financial year ended 30 June 2014

Directors

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

Ian Michael Orchard

Chairman (Director since 2008)
Occupation: Office Manager
Experience and expertise: 14 years with local business specialising in Superannuation Audit and Compliance.
26 years' prior experience in supporting and managing 'Information Technology' for the Financial Services Industry.
Holds a Master's degree in 'Information Systems Management'
Other Current Directorships: 3
Former Directorships in last 3 years: NIL
Special Interests: Marketing, Finance, Audit/Governance
Interest in Shares: 4,950 ordinary shares

Frederick Brian Octigan

Deputy Chairman (Director since 2001)
Occupation: Retired (Volunteer)
Experience and expertise: 30 years experience as Licenced Land Surveyor, 20 years Director of St Agnes Parish Co-operative and been in involved with Local Community groups notably Moorabbin Lions and St Vincent De Paul Conference. Holds a degree 'Land Surveying'.
Other Current Directorships : 1
Former Directorships in last 3 years: NIL
Special Interests: Property and Audit/Governance
Interest in Shares: 900 ordinary shares

Leslie Simon Heimann CPA

Company Secretary (Director since 2000)
Occupation: Retired (Volunteer)
Experience and expertise: 16 Years as Accountant in private practice, 36 prior years with the Australian Taxation Office in various roles, ultimately Group Head of Small Business Review and Litigation. Many years of involvement with many Community Organisations. Currently a member of the CPA, Post Graduate qualifications in Business Administration.
Other Current Directorships: NIL
Former Directorships in last 3 years: NIL
Special Interests: Marketing
Interest in Shares: 900 ordinary shares

Nola Lynette McConchie CTA

Treasurer (Director since 2001)
Occupation: Business Proprietor
Experience and expertise: Many years as owner and operator of local small business providing Taxation Services. Over the years have been involved with local Community Groups, Sports Clubs and Sporting Organisations. Qualified as a Chartered Tax Agent
Other Current Directorships: 2
Former Directorships in last 3 years: NIL
Special Interests: Finance, Human Resources
Interest in Shares: 1350 ordinary shares

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Directors' Report (Continued)

Ross Howard Newton OAM

Director (since 2003)

Occupation: Retired (Volunteer)

Experience and expertise: 10 Years experience in various roles within the Liquor Industry. 35 prior years in the Information Technology Industry in various roles including IT Management supporting Financial Services and Manufacturing businesses. Involved in many Community Organisations and received 'Order of Australia' for service to the Community.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Interests: Finance, Marketing

Interest in Shares: 1800 ordinary shares

Dr Robyn Cochrane

Director (since 2008)

Occupation: Researcher

Experience and expertise: Part-time academic with Monash University and lead researcher with Cochrane Research Solutions. Over 25 years experience in higher education, vocational education and training, local government and not-for-profit sectors. Holds a PhD in Management.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Interests: Human Resources, Audit/Governance

Interest in Shares: NIL

Zoe Abi Quinn

Director (Resigned 12/12/2013)

Occupation: Youth Services Coordinator

Experience and expertise: Experienced in various roles within Local Government in Youth Services.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Interests: NIL

Interest in Shares: NIL

Marie Aurelia Bowker

Director (since 2012)

Occupation: Housewife (Volunteer)

Experience and expertise: Has been involved with various local Community Organisations. In recent years has been involved with the Highett Neighbourhood House and the Riding for the Disabled in Moorabbin.

Other Current Directorships: 2

Former Directorships in last 3 years: NIL

Special Interests: Marketing

Interest in Shares: 450

Atul Chandra Nayak

Director (since 26/06/14)

Occupation: Retired (Volunteer)

Experience and expertise: 30 years working as a Cost Accountant, Financial Accountant and Financial Controller. 15 years as Treasurer of St Agnes Highett Credit Union.

Other Current Directorships: 2

Former Directorships in last 3 years: NIL

Special Interests: Finance, Audit/Governance

Interest in Shares: 900

Directors' Report (Continued)

Directors' Meetings

During the year 11 Director's meetings were held. Attendances by each Director were:

	Numbers of Meetings While a Director	Meetings Attended
Leslie Heimann	11	11
Nola McConchie	11	7
Brian Octigan	11	7
Ross Newton OAM	11	9
Ian Orchard	11	11
Dr Robyn Cochrane	11	10
Zoe Quinn	4	0
Maree Bowker	11	9
Atul Nayak	1	1

Directors are involved in 'Special Interest' meetings during the year, these meetings involve discussion about specific areas. Where Director decisions are required, recommendations are made to the Board of Directors' and dealt with at the regular Director meetings. As Directors effectively make all decisions at the regular Director's meetings, attendance at such 'Special Interest' meetings are not disclosed.

Operating Result

The profit of the company for the financial year after providing for 2014 community returns and income tax amounted to:

Year Ended	Year Ended
30 June 2014	30 June 2013
\$	\$
22,069	59,965

Review of Operations

A review of the operations of the company during the financial year and the results of those operations highlight a downturn in income received from the Bendigo and Adelaide Bank due to non achievement of growth targets and reduced Trailer Product Commission.

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 Reporting 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.

Directors' Report (Continued)

Future Developments

The company is investigating the feasibility of opening a Agency or Sub Branch operation in Chesterville Road, Bentleigh. At this time no decision has been made as local support is currently being canvassed. The company expects to maintain the present status and level of operations for the next reporting year.

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 in Australia.

Dividends

No Dividend was paid during the 2013-2014 year. A fully franked dividend of 6% has been recommended to be paid during the 2014-15 year.

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 have been noted and are declared in the register of directors' share holdings.

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. Mallee and City Management Services is owned and operated by Nola McConchie, prices charged satisfy arms length requirements.

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

The company has not provided any insurance for the auditor of the company or a related body corporate.

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.

Directors' Report (Continued)

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.



Ian M Orchard
Director/Chairman



Ross H Newton OAM
Director

Date: 13 October 2014

**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 2014,
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: 22nd day of September 2014

Highett Community Financial Services Ltd
ABN 23 094 393 683

Statement of Comprehensive Income
for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue from Ordinary Activities	4	878,981	955,015
Community Returns (Grants and Donations)		(110,427)	(59,915)
Sponsorship		(60,309)	(90,979)
Marketing Expenses		(27,737)	(29,923)
Employee Benefits Expense		(365,934)	(369,187)
Occupancy and Associated Costs		(96,833)	(92,894)
Information Technology Costs		(60,347)	(62,217)
Depreciation and Amortisation		(22,741)	(34,526)
General Administration Expenses		(102,114)	(132,350)
Profit before Income Tax		32,539	83,024
Income Tax	6	(10,470)	(23,059)
Profit after Income Tax		22,069	59,965
Other comprehensive income for the year		0	0
Total comprehensive income for the year		22,069	59,965

This statement should be read in conjunction with the notes to the financial statements.

Highett Community Financial Services Ltd
ABN 23 094 393 683

Balance Sheet
as at 30 June 2014

	Note	2014 \$	2013 \$
Current Assets			
Cash and Cash Equivalents	8	578,412	578,752
Trade and Other Receivables	9	72,697	73,390
Other Assets	10	10,602	43,368
Total Current Assets		<u>661,711</u>	<u>695,510</u>
Non Current Assets			
Property , plant and equipment	11	201,582	214,323
Intangible Assets	12	16,109	26,110
Total Non-Current Assets		<u>217,691</u>	<u>240,433</u>
Total Assets		<u>879,402</u>	<u>935,943</u>
Current Liabilities			
Trade and Other Payables	13	12,017	43,084
Provisions	14	53,128	50,766
Other Liabilities	15	4,050	2,380
Total Current Liabilities		<u>69,195</u>	<u>96,230</u>
Total Liabilities		<u>69,195</u>	<u>96,230</u>
Net Assets		<u>810,207</u>	<u>839,713</u>
Equity			
Contributed Equity	16	464,175	515,750
Reserves	17	0	25,354
Accumulated Profits	18	346,032	298,609
Total Equity		<u>810,207</u>	<u>839,713</u>

This statement should be read in conjunction with the notes to the financial statements.

Highett Community Financial Services Ltd
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Statement of Changes in Equity
for the year ended 30 June 2014

	Issued Capital \$	Accumulated Profit \$	Accumulated Reserves	Total Equity \$
Balance at 1 July 2012	515,750	290,218	25,354	831,322
Total comprehensive income for year	-	59,965	-	59,965
Transactions				
Shares Issued during period	-	-	-	-
Dividends provided for or paid	-	(51,575)	-	(51,575)
Balance at 30 June 2013	515,750	298,608	25,354	839,712
 Balance at 1 July 2013	 515,750	 298,608	 25,354	 839,712
Total comprehensive income for year	-	22,070	-	22,070
Transactions				
Share Capital Reduction (see Note 15)	(51,575)	-	-	(51,575)
Reserves written to Accumulated Profits	-	25,354	(25,354)	0
Dividends provided for or paid	-	-	-	0
Balance at 30 June 2014	464,175	346,032	0	810,207

This statement should be read in conjunction with the notes to the financial statements.

Highett Community Financial Services Ltd
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Statement of Cashflows
for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash Flows from Operating Activities			
Receipts from customers		860,910	931,276
Payments to suppliers and employees		(827,090)	(777,969)
Interest received		18,120	23,739
Interest and other costs of finance paid		57	(34,855)
Income Tax paid		(33,529)	(40,917)
Net cash provided by operating activities	19	<u>18,468</u>	<u>101,274</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		0	(9,047)
Proceeds from other assets		32,767	(37,752)
Net cash provided by investing activities		<u>32,767</u>	<u>(46,799)</u>
Cash Flows from Financing Activities			
Dividends paid		0	(51,575)
Capital Redemption of Company Shares		(51,575)	0
Net cash provided by financing activities		<u>(51,575)</u>	<u>(51,575)</u>
Net increase in cash and equivalents held		(340)	2,900
Cash and cash equivalents at the beginning of the financial year		578,752	575,852
Cash and cash equivalents at the end of the financial year	8	<u>578,412</u>	<u>578,752</u>

This statement should be read in conjunction with the notes to the financial statements.

Notes to the Financial Statements
for the year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

The financial statements 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.

(A) Basis of Preparation

Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and is based on historical costs.

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

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.

The financial statements are presented in Australian dollars which is the company's functional and presentation currency.

Economic Dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Highett, Victoria.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the Community Bank® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation

Notes to the Financial Statements (continued)

(B) Accounting Policies

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

Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business. This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company. The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its Community Bank® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and Community Bank® companies remain balanced.

The third source of revenue is a proportion of the fees and charges charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Income Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the Financial Statements (continued)

Employee Benefits

Provision is made for the liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements expected to be settled wholly 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.

Cash and Cash Equivalents

Cash and Cash Equivalents 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 i.e. investments which are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Trades Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at reporting date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Property, Plant and Equipment

Each class of plant and equipment and leasehold improvements are carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The cost of the Leasehold Improvements includes all costs paid to contractors for provision of the improvements. 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.

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a diminishing value 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 assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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.

The following estimated useful lives are used in the calculation of depreciation:

- | | |
|--------------------------|--------------|
| - Leasehold Improvements | 40 years |
| - Plant and Equipment | 2.5-40 years |
| - Motor Vehicle | 8 years |

Notes to the Financial Statements (continued)

Intangibles

The Franchise Fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

Leases

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

Our branch operating premises at 322-324 Highett Road, Highett, VIC, 3190 is currently leased until 18th March 2016 with a further 3 options of 5 years. The next review date is 18th March 2016.

Provisions

Provisions 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.

A provision of dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. All Ordinary Shares were issued at \$1.00 per share.

Capital Management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by equity as recorded in the balance sheet.

In accordance with the franchise agreement, the funds distributed to shareholders shall not exceed the distribution limit of 20% of available profit for distribution for any 12 month period.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations, grants and sponsorship. There were no changes in the company's approach to capital management during the year.

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

Notes to the Financial Statements (continued)

Note 2: Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk), price risk, credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Market Risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Credit Risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

Cash Flow Interest Rate Risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

Notes to the Financial Statements (continued)

Note 3: Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstance, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

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. 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.

Highett Community Financial Services Ltd
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Notes to the Financial Statements (continued)

	2014	2013
	\$	\$
Note 4: Revenue from Ordinary Activities		
Interest Revenue	18,120	23,739
Upfront Product Commission	7,383	7,458
Trailer Product Commission	193,021	240,450
Fee Income	76,880	88,499
Market Development Fund	50,000	50,000
EFTPOS Terminal Rental	180	1,093
Gross Margin Income	<u>533,397</u>	<u>543,776</u>
	878,981	955,015

Note 5: Expenses

Profit (Loss) from ordinary activities before income tax has been determined after Charging as Expense:

Amortisation of non-current assets		
- Intangible Assets	10,000	10,000
Depreciation of non-current assets		
- Property , plant and equipment	12,741	15,867
Bad and Doubtful Debts	<u>586</u>	<u>1,621</u>
	23,327	27,488

Note 6: Income Tax

Prima facie income tax payable on operating profit at 30%	9,762	24,907
Add Tax Effect of		
-other non allowable items	<u>708</u>	<u>(1,848)</u>
Income Tax Expense	10,470	23,059

Income Tax Atributable to Ordinary Activities	(10,602)	(43,368)
Less Tax Effect of		
PAYG Instalments	<u>21,072</u>	<u>20,309</u>
Income Tax Expense	10,470	23,059

Note 7: Dividends Paid or Provided

Dividends provided for or paid*	0	51,575
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* No Dividends were declared for the 2013 reporting year.

Note 8: Cash and Cash Equivalents

Cash at Bank or on hand	94,331	51,797
Term Deposit	<u>484,080</u>	<u>526,955</u>
	578,412	578,752

The above figures are reconciled to cash at the end of the year as shown in the statement of cashflows

Highett Community Financial Services Ltd
ABN 23 094 393 683

Notes to the Financial Statements (continued)

	2014	2013
	\$	\$
Note 9: Trade and Other Receivables		
Trade Debtors (Profit Share from Bendigo Bank)	72,570	73,206
Other loans (Manager Visa Account)	127	184
	72,697	73,390
Note 10: Other Assets		
PAYG Instalments Paid/ATO Refund	10,602	43,368
Note 11: Property, Plant and Equipment		
Leasehold Improvements		
- At Cost	221,797	221,797
- Less Accumulated Depreciation	(51,860)	(46,026)
	169,937	175,771
Plant and Equipment		
- At Cost (Office Equipment)	32,739	32,739
- Less Accumulated Depreciation	(29,144)	(27,188)
	3,595	5,551
Motor Vehicles		
- At Cost	43,824	43,824
- Less Accumulated Depreciation	(15,774)	(10,824)
	28,050	33,000
Total written down amount	201,582	214,322
Movements in carrying amounts:		
Leasehold Improvements		
Carrying amount at beginning	175,771	181,943
Less: Depreciation Expense	(5,834)	(6,172)
Carrying amount at end	169,937	175,771
Plant and Equipment		
Carrying amount at beginning	5,551	7,224
Add: Additions	0	814
Less: Depreciation Expense	(1,956)	(2,487)
Carrying amount at end	3,595	5,551
Motor Vehicles		
Carrying amount at beginning	33,000	20,396
Add: Additions	0	43,824
Less: Disposal	0	(15,353)
Less: Depreciation Expense	(4,950)	(15,867)
Carrying amount at end	28,050	33,000

Highett Community Financial Services Ltd
ABN 23 094 393 683

Notes to the Financial Statements (continued)

	2014 \$	2013 \$
Note 12: Intangible Assets		
Franchise Fee		
At Cost	50000	50000
Less: Accumulated Amortisation	-33891	-23890
	16109	26110
Note 13: Trade and Other Payables		
Trade Creditors	0	782
Tax Liabilities	12,017	42,302
	12,017	43,084
Note 14: Provisions		
Employee Entitlements	53,128	50,766
	53,128	50,766
Note 15: Other Liabilities		
Unclaimed Dividend and Capital Reduction Payments	4,050	2,380
	4,050	2,380
Note 16: Contributed Equity		
Ordinary shares at \$1.00 each fully paid at beginning	515,750	515,750
Less Share Capital Reduction *	(51,575)	0
Ordinary shares at \$1.00 each fully paid at end	464,175	515,750
<p>* Share Capital Reduction in accordance with resolution passed at the Annual General Meeting on 18th November 2013 for a 10% Capital Reduction to all Shareholders at \$1.00 per share.</p> <p>Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.</p> <p>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.</p>		
Note 17: Reserves		
Balance at beginning of reporting period	25,354	25,354
Increase (decrease) in reserves during the reporting period	(25,354)	0
Balance at reporting date	0	25,354
Note 18: Accumulated Profits		
Balance at beginning of reporting period	298,608	238,644
Reserve written to Accumulated Profits	25,355	0
Net Profit after Income Tax	22,069	59,965
Balance at the reporting date	346,032	298,609

Highett Community Financial Services Ltd
ABN 23 094 393 683

Notes to the Financial Statements (continued)

	2014	2013
	\$	\$

Note 19: Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities.

Profit from ordinary activities after tax	22,069	59,965
Non Cash Items:		
-Depreciation	12,741	24,526
-Amortisation	10,000	10,000
Changes in assets and liabilities		
-Increase (Decrease) in receivables	693	782
-Increase (Decrease) in payables	(29,397)	1,621
-Increase (Decrease) in provisions	2,362	4,380
	18,468	101,274

Note 20: Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the Financial Statements

Payable - minimum lease payments		
- not later than 12 months	64,600	62,115
- between 12 months and 5 years *	48,450	113,050
	113,050	175,165

* Next review is 19th March 2016.

Note 21: Superannuation Commitments

The entity participated in several Industry Superannuation Funds to provide benefits to employees on retirement, death or disability. 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%.

Note 22: Auditors' Remuneration

Remuneration of the auditor of the company for: Auditing or reviewing the financial report.	3,750	3,119
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Note 23: Key Management Personnel Disclosures

No Director of the company receives remuneration for services as a company director.

There are no executives within the company whose remuneration is required to be disclosed.

Note 24: Events Occuring After the Reporting Date

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

Notes to the Financial Statements (continued)

Note 25: Contingent Liabilities

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

Note 26: Registered Office and Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business are:

Registered Office

Mallee & City Management Services
374 Highett Road
Highett, VIC, 3190

Principal Place of Business

322-324 Highett Road
Highett, VIC, 3190

Directors Declaration

In accordance with a resolution of the directors of Highett Community Financial Services Limited, we state that in the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements: and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become payable.

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



Ian M Orchard
Director/Chairman



Ross H Newton OAM
Director

Date: 13th October 2014

**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 2014. 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 2014 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: 22nd day of September 2014**

**Highett Community Bank® Branch
Bendigo Bank
318-320 Highett Road Highett
9555 6055**



Opened in March 2001

**Returned \$1,856,477 to our local community
by way of: Grants, Sponsorships and Dividends**