

# HIGHETT COMMUNITY FINANCIAL SERVICES LIMITED

ABN: 23 094 393 683



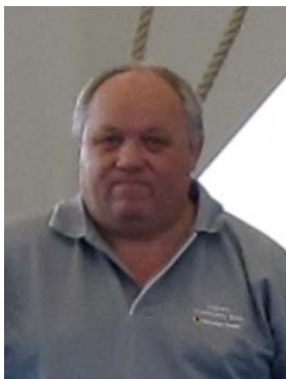
**ANNUAL REPORT 2015**

[www.highettcb.com](http://www.highettcb.com)

**Annual Report  
for the year ended 30 June 2015**

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**Chairman's Report**  
**For the year ending 30 June 2015**



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

**Business**

The financial year has again been a challenging time for all within the banking sector. Our total business holdings effectively stagnated, however we did increase our income slightly due to margin income. Expenses were kept under control; our normal operating expenses were just under budget.

**Net Operating Profit**

Total Gross Income	\$904,226	Up 2.87% from prior year
Less Total Expenses	<u>\$824,503</u>	Down 2.59% from prior year
Net Income	\$79,723	
Add Community Returns	\$129,547	
Net Operating Profit	\$209,260	Up 2.94% from prior year

**Community Returns**

Sponsorships	\$48,091	
Grants and Donations	<u>\$81,091</u>	
	\$129,547	Down 24.12% from prior year

The overall result was in line with budget but to provide better support for our Community and returns for our Shareholders we still need to focus on growth and be ever watchful in regard to our expenses. Our balance sheet is strong and the Board, in line with our constitution, will determine whether a dividend will be paid.

Going forward we have been conservative and budgeted for modest income growth. In setting this goal we are mindful of the very competitive nature of the current banking environment. We are looking at ways to re-engage with the community and continue with changes to our Sponsorship programs which link sponsorship monies to the generation of business income. The Community Bank Model has been reviewed with more focus on Collaboration within the Community Bank network. The Community Bank product pricing model was also reviewed as part of this exercise and as a result we will receive increased income from Deposits from the start of the 2017 financial year.

**Community**

Over the year we have provided support to many local organisations. Significant funding has been provided to BAYCISS (Smart Kids Program), Berendale School (Leased Vehicle), BGKLEEN/Youth Connect (Applied Learning Awards) and the Highett Youth Club (Interest Free Loan).

Our total returns to date are:

Dividends>Returns to Shareholders	\$438,820 (85% return to initial shareholders)
Sponsorships	\$661,843
Grants and Donations	<u>\$925,816</u>
Total Community Returns	\$2,026,479

**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. Our branch staff continue to be the lifeblood of the company and provide excellent customer service.

**Board Directors**

During the year some of our Directors took enforced 'Leave of Absence' due to untimely deaths of family members and to serious illness. Two Directors also resigned during the period. This situation has made it very difficult to engage with Community to assist our Branch Team in growing our business. We are currently seeking new Directors.

All our Directors are unpaid volunteers and I thank them for their valued support.



Ian Orchard  
Chairman

**Branch Managers Report  
For year ending 30 June 2015**



With the Highett Community Bank having just completed its 14<sup>th</sup> year of operation who would have thought that we would have been able to return \$2,047,000 back to the community in the form of Grants, Sponsorships and Dividends.

Our branch had a static year with our overall footings at the end of financial year being \$137.8 million dollars. 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. I thank our existing staff of Kate, Rachelle, Robyn and Daniel 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

## Highett Community Financial Services Ltd

ABN 23 094 393 683

### Directors' Report for the year ended 30 June 2015

Your directors submit the Financial Statements of the company for the financial year ended 30 June 2015

#### 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: NIL

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, now a 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'.

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 now a 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 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: NIL

Former Directorships in last 3 years: NIL

Special Interests: Finance, Human Resources

Interest in Shares: 1350 ordinary shares

## Highett Community Financial Services Ltd

ABN 23 094 393 683

### Directors' Report (Continued)

#### **Ross Howard Newton OAM**

Director (since 2003)

Occupation: Retired now a 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/Teaching Associate

Experience and expertise: 2 yrs in research and teaching position with Monash University. Prior to this worked in Local Government and over the years have been involved with local Community and Sport Clubs. Have now completed a PhD.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Special Interests: Human Resources, Audit/Governance

Interest in Shares: NIL

#### **Marie Bowker**

Director (Resigned 22/04/15)

Occupation: Housewife and 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: NIL

Former Directorships in last 3 years: NIL

Special Interests: Marketing

Interest in Shares: 450

#### **Atul Chandra Nuyak**

Director (Resigned 28/01/15)

Occupation: Retired

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: NIL

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 as follows:

	<b>Numbers of Meetings While a Director</b>	<b>Meetings Attended</b>
Leslie Heimann	11	10
Nola McConchie	11	4
Brian Octigan	11	9
Ross Newton OAM	11	9
Ian Orchard	11	10
Robyn Cochrane	11	6
Maree Bowker	8	8
Atul Nayak	5	5

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 30 June 2015	Year Ended 30 June 2014
\$	\$
<b>50,138</b>	<b>22,069</b>

### **Review of Operations**

A review of the operations of the company during the financial year and the results of those operations highlights a modest increase in income received from the Bendigo and Adelaide Bank due to the final tranche of the 'Restoring the Balance' being washed through last year which improved our margin income during the period.

### **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 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 in Australia.

### **Dividends**

A Fully Franked Dividend was paid during the 2013-2014 year. In line with our constitution the Board will determine whether a dividend will be paid.

### **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.

### **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.



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Ian M Orchard  
Director/Chairman



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Ross H Newton OAM  
Director

Date: 12 October 2015

**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 2015, 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**



**Registered Auditor 8799  
Melbourne  
Date: 12<sup>th</sup> day of October 2015**

**Hihett Community Financial Services Ltd**  
**ABN 23 094 393 683**

**Statement of Comprehensive Income**  
**for the year ended 30 June 2015**

	Note	2015 \$	2014 \$
Revenue from Ordinary Activities	4	904,226	878,981
Community Returns (Grants and Donations)		(81,456)	(110,427)
Sponsorship		(48,091)	(60,309)
Marketing Expenses		(45,797)	(27,737)
Employee Benefits Expense		(378,941)	(365,934)
Occupancy and Associated Costs		(87,356)	(96,833)
Systems Costs		(58,338)	(60,347)
Depreciation and Amortisation		(21,907)	(22,741)
General Administration Expenses		<u>(102,617)</u>	<u>(102,114)</u>
<b>Profit before Income Tax</b>		<b>79,723</b>	<b>32,539</b>
Income Tax	6	<u>(29,585)</u>	<u>(10,470)</u>
<b>Profit after Income Tax</b>		<b>50,138</b>	<b>22,069</b>
Other comprehensive income for the year		0	0
<b>Total comprehensive income for the year</b>		<b>50,138</b>	<b>22,069</b>

*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 2015**

	Note	2015 \$	2014 \$
<b>Current Assets</b>			
Cash and Cash Equivalents	8	651,195	575,603
Receivables	9	69,153	72,570
Other Assets	10	<u>4,057</u>	<u>2,936</u>
<b>Total Current Assets</b>		<b>724,405</b>	<b>651,109</b>
<b>Non Current Assets</b>			
Property , plant and equipment	11	190,527	201,584
Intangible Assets	12	<u>6,110</u>	<u>16,110</u>
<b>Total Non-Current Assets</b>		<b>196,637</b>	<b>217,694</b>
<b>Total Assets</b>		<b>921,042</b>	<b>868,803</b>
<b>Current Liabilities</b>			
Payables	13	9,402	4,050
Current Tax Liabilities	14	20,901	1,418
Provisions	15	<u>69,849</u>	<u>53,128</u>
<b>Total Current Liabilities</b>		<b>100,152</b>	<b>58,596</b>
<b>Total Liabilities</b>		<b>100,152</b>	<b>58,596</b>
<b>Net Assets</b>		<b>820,890</b>	<b>810,207</b>
<b>Equity</b>			
Contributed Equity	16	464,175	464,175
Reserves	17	90,000	0
Accumulated Profits	18	<u>266,715</u>	<u>346,032</u>
<b>Total Equity</b>		<b>820,890</b>	<b>810,207</b>

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

**Highbett Community Financial Services Ltd**  
**ABN 23 094 393 683**

**Statement of Changes in Equity**  
**for the year ended 30 June 2015**

	Issued Capital \$	Accumulated Profit \$	Accumulated Reserves	Total Equity \$
<b>Balance at 1 July 2013</b>	<b>515,750</b>	<b>298,608</b>	<b>25,354</b>	<b>839,712</b>
<b>Total comprehensive income for year</b>	-	22,070	-	22,070
<b>Transactions</b>				
Share Capital Reduction (see Note 16)	-51575	-	-	-51575
Reserves written to Accumulated Profits	-	25,354	-25354	0
Dividends provided for or paid	-	-	-	0
<b>Balance at 30 June 2014</b>	<b>464,175</b>	<b>346,032</b>	<b>0</b>	<b>810,207</b>
<b>Balance at 1 July 2014</b>	<b>464,175</b>	<b>346,032</b>	<b>0</b>	<b>810,207</b>
<b>Total comprehensive income for year</b>	-	50,138	-	50,138
<b>Transactions</b>				
Transfer from Accumulated Profits to Reserves	-	(90,000)	90,000	0
Dividends provided for or paid	-	(39,455)	-	(39,455)
<b>Balance at 30 June 2015</b>	<b>464,175</b>	<b>266,715</b>	<b>90,000</b>	<b>820,890</b>

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

**Statement of Cashflows**  
**for the year ended 30 June 2015**

	Note	2015 \$	2014 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		892,753	860,910
Payments to suppliers and employees		(758,336)	(827,090)
Interest received		12,852	18,120
Interest and other costs of finance paid		(30,164)	57
Income Tax paid		(7,383)	(33,529)
<b>Net cash provided by operating activities</b>	19	<b>109,722</b>	<b>18,468</b>
 <b>Cash Flows from Investing Activities</b>			
Proceeds from other assets		0	32,767
Purchases of new assets		-850	0
Receivables from other persons		-1987	0
<b>Net cash provided by investing activities</b>		<b>(2,837)</b>	<b>32,767</b>
 <b>Cash Flows from Financing Activities</b>			
Capital Redemption from Company Shares		0	(51,575)
Dividends paid		(39,455)	0
Unclaimed Dividend Monies		5,353	0
<b>Net cash provided by financing activities</b>		<b>(34,102)</b>	<b>(51,575)</b>
 <b>Net increase in cash and equivalents held</b>		 <b>72,783</b>	 <b>(340)</b>
Cash and cash equivalents at the beginning of the financial year		578,412	575,943
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>651,195</b>	<b>575,603</b>

*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 2015**

**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<sup>®</sup> 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<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank<sup>®</sup> 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<sup>®</sup> 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 first and next review date is 19th 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**  
**ABN 23 094 393 683**

**Notes to the Financial Statements (continued)**

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Note 4: Revenue from Ordinary Activities</b>		
Interest Revenue	16,909	18,120
Upfront Product Commission	9,383	7,383
Trailer Product Commission	181,582	193,021
Fee Income	78,146	76,880
Market Development Fund	50,000	50,000
EFTPOS Terminal Rental	52	180
Gross Margin Income	<u>568,154</u>	<u>533,397</u>
	<b>904,226</b>	<b>878,981</b>

**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	11,907	12,741
Bad and Doubtful Debts	<u>0</u>	<u>586</u>
	<b>21,907</b>	<b>23,327</b>

**Note 6: Income Tax**

Prima facie income tax payable on operating profit at 30%	23,917	9,762
Add Tax Effect of		
-other non allowable items less PAYG Instalments	<u>5,668</u>	<u>708</u>
<b>Income Tax Expense</b>	<b>29,585</b>	<b>10,470</b>

**Note 7: Dividends Paid or Provided**

Dividends provided for or paid*	<b>39,455</b>	<b>0</b>
<i>* No Dividends were delared for the 2013 reporting year, hence nothing paid in 2014.</i>		

**Note 8: Cash and Cash Equivalents**

Cash at Bank or on Hand	111,803	91,522
Term Deposit	<u>539,392</u>	<u>484,080</u>
	<b>651,195</b>	<b>575,603</b>

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)**

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Note 9: Trade and Other Receivables</b>		
Trade Debtors (Profit Share from Bendigo Bank)	67,166	72,570
Other loans (Manager FBT Account)	1,987	0
	<u>69,153</u>	<u>72,570</u>
<b>Note 10: Other Assets</b>		
Interest Receivable	4,057	2,936
	<u>4,057</u>	<u>2,936</u>
<b>Note 11: Property, Plant and Equipment</b>		
Leasehold Improvements		
- At Cost	221,797	221,797
- Less Accumulated Depreciation	(56,881)	(51,860)
	<u>164,916</u>	<u>169,937</u>
Plant and Equipment		
- At Cost (Office Equipment)	33,589	32,739
- Less Accumulated Depreciation	(31,821)	(29,144)
	<u>1,768</u>	<u>3,595</u>
Motor Vehicles		
- At Cost	43,824	43,824
- Less Accumulated Depreciation	(19,981)	(15,774)
	<u>23,843</u>	<u>28,050</u>
<b>Total written down amount</b>	<b>190,527</b>	<b>201,582</b>
<b>Movements in carrying amounts:</b>		
Leasehold Improvements		
Carrying amount at beginning	169,937	175,771
Less: Depreciation Expense	(5,021)	(5,834)
Carrying amount at end	<b>164,916</b>	<b>169,937</b>
Plant and Equipment		
Carrying amount at beginning	3,595	5,551
Add: Additions	850	0
Less: Depreciation Expense	(2,677)	(1,956)
Carrying amount at end	<b>1,768</b>	<b>3,595</b>
Motor Vehicles		
Carrying amount at beginning	28,050	33,000
Add: Additions	0	0
Less: Disposal	0	0
Less: Depreciation Expense	(4,207)	(4,950)
Carrying amount at end	<b>23,843</b>	<b>28,050</b>

**Highett Community Financial Services Ltd**  
**ABN 23 094 393 683**

**Notes to the Financial Statements (continued)**

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Note 12: Intangible Assets</b>		
<b>Franchise Fee</b>		
At Cost	50,000	50,000
Less: Accumulated Amortisation	<u>(43,890)</u>	<u>(33,890)</u>
	<b>6,110</b>	<b>16,110</b>
 <b>Note 13: Payables</b>		
Unclaimed Dividend and Capital Reduction Payments	<u>9,402</u>	<u>4,050</u>
	<b>9,402</b>	<b>4,050</b>
 <b>Note 14: Tax Liabilities</b>		
GST Payable (Control Account)	7,711	7,679
Input Tax Credit (Control Account)	(4,381)	(2,423)
Taxation	11,600	(10,602)
TFN withholding tax	1,001	1,001
Amounts withheld from Salary and Wages	<u>4,969</u>	<u>5,763</u>
	<b>20,900</b>	<b>1,418</b>
 <b>Note 15: Provisions</b>		
Employee Entitlements	<u>69,849</u>	<u>53,128</u>
	<b>69,849</b>	<b>53,128</b>
 <b>Note 16: Contributed Equity</b>		
Ordinary shares at \$1.00 each fully paid at beginning	<b>464,175</b>	<b>515,750</b>
Less Share Capital Reduction *	0	(51,575)
Ordinary shares at \$1.00 each fully paid at end	<b>464,175</b>	<b>464,175</b>

\* 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.

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 17: Reserves**

Balance at beginning of reporting period	0	25,354
Increase (decrease) in reserves during the reporting period *	<u>90,000</u>	<u>(25,354)</u>
Balance at reporting date	<b>90,000</b>	<b>0</b>

\* Reserves increased to cover monies for loan to Highett Youth Club



**Highett Community Financial Services Ltd**  
**ABN 23 094 393 683**

**Notes to the Financial Statements (continued)**

	<b>2015</b>	<b>2014</b>
	\$	\$
<b>Note 18: Accumulated Profits</b>		
Balance at beginning of reporting period	346,032	298,608
Transfer to Reserve from Accumulated Profits	(90,000)	25,355
Dividends Paid	(39,455)	
Net Profit after Income Tax	50,138	22,069
Balance at the reporting date	<u>266,715</u>	<u>346,032</u>

**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	50,138	22,069
Non Cash Items:		
-Depreciation	7,296	12,741
-Amortisation	14,612	10,000
Changes in assets and liabilities		
-Increase (Decrease) in Plant & Equipment Assets	(823)	0
-Increase (Decrease) in Receivables/Payables	2,296	(28,704)
-Increase (Decrease) in Tax Liabilities	19,482	0
-Increase (Decrease) in Provisions	16,721	2,362
	<u>109,722</u>	<u>18,468</u>

**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	48,450	64,600
- between 12 months and 5 years *	0	48,450
	<u>48,450</u>	<u>113,050</u>

\* 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.	<b>3,750</b>	<b>3,750</b>
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**Notes to the Financial Statements (continued)**

**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

**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 Principle 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 2015 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 when they become due and payable.

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



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Ian M Orchard  
Director/Chairman



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Ross H Newton OAM  
Director

Date: 12th October 2015

**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 2015. 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.

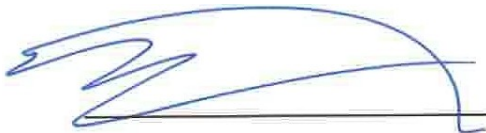
The audit opinion expressed in this report has been formed on the above basis.

**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 2015 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**



**Registered Auditor 8799  
Melbourne  
Date: 12<sup>th</sup> day of October 2015**

# HIGHETT COMMUNITY FINANCIAL SERVICES LIMITED

ABN: 23 094 393 683



You live in a community – not just a place.

**Highett Community Bank®**

*Switch to us and your Community Wins*



**Bendigo Bank**