

HIGHETT COMMUNITY FINANCIAL SERVICES LIMITED

ABN: 23 094 393 683



ANNUAL REPORT
30th June 2017

www.highettcb.com

Annual Report
for the year ended 30 June 2017

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Chairperson's Report
For the year ending 30th June 2017



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

Business

The low interest environment still remains a challenge for the bank and the whole sector. However, we did manage to increase our income very slightly and keep our expenses within budget, as is shown below.

Profit before Tax & Community Returns

Total Gross Income	\$924,960	Up 1.37% from prior year
Less Total Expenses	\$775,122	Up 1.64% from prior year
Income before Tax	\$149,838	
Add Back Community Returns	\$100,447	Up 13.29 from prior year
Profit before Tax & Community Returns	\$250,285	Up 4.93% from prior year

Community Returns

Sponsorships	\$44,407
Grants and Donations	<u>\$56,040</u>
	\$100,447

This again was better than budgeted. It was mainly due to not running a formal Grants program for the second year. I feel that we should return to a Grants process to keep us close to some of our main supporters. However we still managed to satisfy most of Grant type requests that we received over this period.

We will continue to support our Community, provide continued returns to our Shareholders and a strong community Bank for the Highett area. In the tough environment we are in, we have budgeted again for a modest growth, and we have increased our efforts to be closely engaged with the customer groups that continue to support us.

Based on our profit and strong balance sheet this year, the Board consistent with our constitution, has determined that a fully franked dividend of 10% will be paid.

Community

For many years we have provided support to many local organisations. Significant funding was provided to BAYCISS (Smart Kids Program) and the Highett Youth Club (Interest Free Loan), together with funding to the Arrowsmith program, an exciting initiative to assist children with learning difficulties. This is currently being run through three schools as a successful pilot project.

Our total returns to date are:

Dividends/Returns to Shareholders	\$527,014 (113.54% return to initial shareholders)
Sponsorships	\$765,572
Grants and Donations	<u>\$1,011,201</u>
Total Community Returns	\$2,303,787

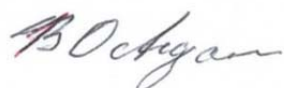
Branch Staff

Our Branch Team has performed remarkably well again this year with some changes to our junior staff. Christopher Wheeler continues to lead our valued team with the assistance of Daniel Leonov who led the bank while Chris was away for six weeks on holiday leave. The standard of customer service continues to be excellent, thanks to all the team.

The Board

It has been a very successful year for the Board, with the recruitment of four new directors. Mrs Skye Hardie, Mr Elmo Joseph, Mr Matthew Donovan and Mr Rowland Hassall. These directors have settled well into the Board and the associated work. I am very grateful for the assistance of my Board members, and wish to thank them all, including our 'Minute Secretary' Mary Fordyce who continues to do a great job.

The bank can look forward to improved outcomes with the staff, our customers, shareholders and the local community.



Brian Octigan
Chairperson

**Branch Managers Report
For the year ending 30 June 2017**



With the Highett Community Bank having just completed its 16th year of operation we have been able to return \$2,303,787 to the community in the form of Grants, Sponsorships and Dividends.

Our branch had a successful year with our overall footings at the end of financial year being \$156.4 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 Mandy, Anna, 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

Directors' Report

Directors

Names and details of the company's directors who held office during the financial year:

Dr. Robyn Cochrane (Director since 2008)



"Many of the groups that I was involved with through my children were receiving grants which were making a difference. This was the type of community organisation that I wanted to join. I love the idea that our profits directly benefit our community"

Occupation: Lead Researcher/Small Business Owner (Cochrane Research Solutions) and part-time Teaching/Research Associate with Monash Business School, Monash University.

Work Background: Over 25 years of experience in administration, teaching and research roles in the higher education, vocational education and training, local government and community sectors.

Qualifications: PhD in Management, Certificate IV in Quality Management and Assurance, Applied Certificate in Project Management.

Community: Currently Secretary of Bayside Glen Eira Kingston Local Learning and Employment Network (BGKLEN). Previously involved with Sporting, School and Preschool Committees.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Board Sub-Committee: Human Resources

Interest in Shares: NIL

Mathew Donovan (co-opted 8/12/2016)



"I love the Bendigo Bank community model and felt that by being a part of the board I could help drive the Highett branch forward so that we could give even more back to our local community"

Occupation: Founder and CEO of the Food For Change Foundation.

Work Background: Over 10 years experience running various cleaning companies across Australia. Prior to this worked for American Express in London.

Qualifications: Bachelors Degree in Exercise Physiology.

Community: Currently involved with Food For Change, I have previously volunteered with the Make a Wish Foundation, Fareshare and the Salvation Army.

Other Current Directorships: 1

Former Directorships in last 3 years: NIL

Board Sub-Committee: Community Engagement

Interest in Shares: NIL

Directors' Report (Continued)

Skye Hardie (co-opted 8/12/2016)



"Since commencing a career break for family reasons, I decided it was time to get actively involved in the community in which my children are growing up. The Community Bank is an ideal organisation through which to drive positive change."

Occupation: Chartered Accountant

Work Background: Over 16 years of Finance/management accounting experience, includes 10 years at National Australia Bank, 3 years at Cadbury Schweppes and 2 years at PricewaterhouseCoopers.

Qualifications: Chartered Accountant, Grad Dip of Applied Finance and Investment, Affiliate of Australian Institute of Company Directors.

Community: Currently treasurer of Hampton Rovers Junior Football Club.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Board Sub-Committees: Finance and Budget, Governance

Interest in Shares: 900 Ordinary Shares

Rowland Hassall (co-opted 27/02/2017)



"I became a Shareholder when the original call to support a Community Bank was proposed. It's the people, the community, that give a place its character, and I want people to come to Highett and be part of our community and the HCFSL is a great opportunity to support the community."

Occupation: Principal & Sole Director of 'Hassall's Litigation Services Pty Ltd' a suburban legal firm servicing the local area and many others from farther afield.

Work Background: Started legal practice in 1979 and it has grown to what it is now, 3 lawyers and 6 support staff doing Building Disputes, Family Law and Debt Collection – as well as Wills and Powers of Attorney.

Qualifications: B.Juris , LL.B. Monash

Community: Currently on the 'Committee of Management' of the Bayside Community Information and Support Service Inc (BayCISS)

Other Current Directorships: 3

Former Directorships in last 3 years: NIL

Board Sub-Committee: Governance

Interest in Shares: 4,500 Ordinary Shares

Directors' Report (Continued)

Les Heiman OAM (Company Secretary, Director since 2001)



"Highett once had four banks and I felt that as President of the Highett Chamber of Commerce I had an obligation to ensure our area continued to have access to banking services; especially a community bank that would provide so much benefit to our community – and so it has!"

Occupation: Retired, now a 'Professional' Volunteer

Work Background: 36 years in the Australian Taxation Office as an investigator, auditor, assessor, litigator, negotiator and senior manager dealing with all types and levels of business from milk bars to multinationals. Private consultant to accountants concerning taxation disputes and litigation.

Qualifications: Certified Practising Accountant, Post Grad. in Business Administration.
Received Order of Australia Medal in 2016 for service to a range of community organisations

Community: Treasurer of Bayside Glen Eira Kingston Local Learning and Employment Network (BGKLEN). Past President of Highett Neighbourhood Community House, Past Chairman of Highett Moorabbin Kingston Council Village Committee, Member of Kingston volunteer meals delivery service, Past Chairman, Secretary and currently Unit President of B'nai B'rith Victoria.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Board Sub-Committee: Community Engagement

Interest in Shares: 900 Ordinary Shares

Elmo Joseph (co-opted 27/03/2017)



"Community Banks have a critical role in keeping their local economies vibrant. I am keen on being part of the challenges facing community banking institutions to meet the future needs of local communities."

Occupation: Retired, now a Volunteer

Work Background: 25 years in superannuation, investments and funds management. Included 7 Years at Australian Eagle managing a national portfolio of properties

Qualifications: Graduate Diploma of Corporate Finance, Associate Member of Institute of Chartered Secretaries of Australia, Associate Member of Governance Institute

Community: Currently a Voluntary Community Services Advisor with Bayside Community Information and Support Service Inc (BayCISS)

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Board Sub-Committee: Governance

Interest in Shares: NIL

Directors' Report (Continued)

Nola McConchie (Company Treasurer, Director since 2001)



"Being a Director of Highett Community Financial Services Limited instils a pride being part of the Highett Community generating income through the Community Bank to be shared with Schools, Sporting Groups and other Community Groups in our area."

Occupation: Principal of 'Mallee and City Management Services'

Work Background: Spent many years as owner and operator of local business providing Taxation Services to individuals and various business entities.

Qualifications: Chartered Tax Advisor, Member of the Tax Institute

Community: Over the years have been involved with local Community Groups, Sports Clubs and Sporting Organisations.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Board Sub-Committee: Finance and Budget, Human Resources

Interest in Shares: 1,350 Ordinary Shares

Ross Newton OAM (Director since 2001)



"There are so many hard-working community groups in the Highett area (all run by volunteers) – and I am delighted whenever Highett Community Bank (whose Directors are all volunteers) can assist them to achieve their goals".

Occupation: Retired, now a Volunteer

Work Background: 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.

Qualifications: Diploma of Information Technology. Received Order of Australia Medal in 2009 for service to a range of community organisations

Community: Over the years has been Involved in many local Community Organisations. Currently Chairperson 'Order of Australia Association (Southern)', Life member of Brighton Philatelic Society Inc. Past Chairperson Neighbourhood Watch Bayside

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Board Sub-Committee: Finance and Budget, Community Engagement

Interest in Shares: 1,800 Ordinary Shares

Directors' Report (Continued)

Brian Octigan (Company Chairperson, Director since 2001)



"Being involved in local communities for 20 years, I found it a natural fit to join the Community Bank. It has been an enjoyable time, in particular assisting local community groups and meeting the friendly and generous people who work for them."

Occupation: Retired now a Volunteer

Work Background: Over 30 years experience as Licenced Land Surveyor in Victoria

Qualifications: Licenced Land Surveyor

Community: 20 years as a Director of St Agnes Parish Cooperative and involved in many other local Community Organisations notably Moorabbin Lions and St Vincent De Paul Conference.

Other Current Directorships: NIL

Former Directorships in last 3 years: NIL

Board Sub-Committee: Governance, Property

Interest in Shares: 900 Ordinary Shares

Ian Orchard (Director since 2008)



"Its great for our kids to participate in sport and its also great that our Community Bank is able support many local sporting clubs. These clubs help create a 'Sense of Belonging' which is very important for the good of our Community."

Occupation: Director of 'Susan Orchard Chartered Accountant Practice'

Work Background: 17 years in local accounting firm specialising in Superannuation Audit and Compliance. 26 Years prior experience working for Lend Lease and IBM in the management of 'Information Systems for the Financial Services Industry.

Qualifications: Masters Degree in Information Systems, Grad Dip Information Systems

Community: I have been involved in various roles in Cricket and Soccer clubs over the years and keenly supported my daughters local Soccer and Basketball Teams.

Other Current Directorships: 2

Former Directorships in last 3 years: NIL

Board Sub-Committee: Governance, Community Engagement

Interest in Shares: 9,900 Ordinary Shares

Directors' Report (Continued)

Directors' Meetings

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

	Meetings as Director	Meetings Attended
Dr Robyn Cochrane	11	10
Mathew Donovan (<i>co-opted 8/12/2016</i>)	7	7
Skye Hardie (<i>co-opted 8/12/2016</i>)	7	6
Rowland Hassall (<i>co-opted 27/02/2017</i>)	5	4
Leslie Heimann OAM	11	11
Elmo Joseph (<i>co-opted 27/03/2017</i>)	4	2
Nola McConchie	11	10
Ross Newton OAM	11	11
Brian Octigan	11	10
Ian Orchard	11	11

Directors are involved in various 'Sub Committees' that meet 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. Directors effectively make all decisions at the regular Director's meetings, hence attendance at 'Sub Committee' meetings have not been disclosed.

Operating Result

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

30 June 2017	30 June 2016
\$104,689	\$108,831

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 both income received and expenses. The income reflects the business held and generated over the period. The modest increase in recorded expenses is mainly due to an increase in Community Returns.

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.

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.

Directors' Report (Continued)

Dividends

A fully Franked Dividend was paid during the period for the 2015-2016 year. In line with our constitution the Board has determined that a 10% fully Franked Dividend will be paid for the 2016-2017 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' shareholdings.

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.

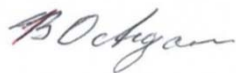
Proceedings on Behalf of Company

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.

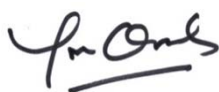
Auditors Independence Declaration

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

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



Brian Octigan, Director/Chairperson



Ian Orchard, Director

Date: 11th September 2017

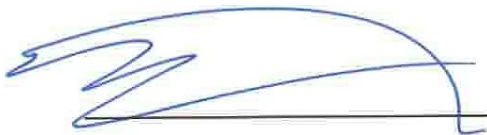
**AUDITOR'S INDEPENDENCE DECLARATION TO THE MEMBERS OF
HIGHTT COMMUNITY FINANCIAL SERVICES LTD
ABN 23 094 393 683**

To Hightt Community Financial Services Ltd

As lead auditor for the audit of Hightt Community Financial Services Ltd for the year ended 30 June 2017, 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

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke, positioned above a horizontal line.

**Registered Auditor 8799
Melbourne
Date: 13th day of September 2017**

Highett Community Financial Services Ltd
ABN 23 094 393 683

Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue from Ordinary Activities	4	924,960	912,481
Community Returns (Grants and Donations)		(56,040)	(29,345)
Sponsorship		(44,407)	(59,322)
Marketing Expenses		(11,371)	(20,859)
Employee and Associated Costs		(381,109)	(371,605)
Occupancy and Associated Costs		(97,283)	(97,792)
Systems Costs		(56,708)	(51,543)
Depreciation and Amortisation	5	(19,046)	(17,954)
General Administration Expenses		<u>(109,158)</u>	<u>(114,206)</u>
Profit before Income Tax		149,838	149,855
Income Tax	6	<u>(45,149)</u>	<u>(41,024)</u>
Profit after Income Tax		104,689	108,831
Other comprehensive income for the year		0	0
Total comprehensive income for the year		104,689	108,831

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 2017

	Note	2017 \$	2016 \$
Current Assets			
Cash and Cash Equivalents	8	765,926	699,604
Receivables	9	<u>81,493</u>	<u>76,901</u>
Total Current Assets		<u>847,420</u>	<u>776,505</u>
Non Current Assets			
Property , plant and equipment	10	175,512	181,004
Intangible Assets	11	<u>38,306</u>	<u>48,306</u>
Total Non-Current Assets		<u>213,818</u>	<u>229,310</u>
Total Assets		<u>1,061,238</u>	<u>1,005,815</u>
Current Liabilities			
Payables	12	22,719	18,107
Current Tax Liabilities	13	24,484	37,782
Provisions	14	<u>67,818</u>	<u>61,980</u>
Total Current Liabilities		<u>115,021</u>	<u>117,869</u>
Non Current Liabilities			
Highett Youth Club	15	<u>70,000</u>	<u>80,000</u>
Total Non Current Liabilities		<u>70,000</u>	<u>80,000</u>
Total Liabilities		<u>185,021</u>	<u>197,869</u>
Net Assets		<u>876,217</u>	<u>807,946</u>
Equity			
Contributed Equity	16	464,175	464,175
Reserves	17	0	0
Retained Profits	18	<u>412,042</u>	<u>343,771</u>
Total Equity		<u>876,217</u>	<u>807,946</u>

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

Highett Community Financial Services Ltd
ABN 23 094 393 683

Statement of Changes in Equity
for the year ended 30 June 2017

	Issued Capital \$	Accumulated Profit \$	Accumulated Reserves	Total Equity \$
Balance at 1 July 2015	464,175	266,715	90,000	820,890
Total comprehensive income for year	-	108,832	-	108,832
Transactions				
Transfer from Accumulated Profits to Reserve	-	90,000	(90,000)	0
Transfer to Highett YC Liability from Accumulated Profit		(80,000)		(80,000)
Dividends provided for or paid	-	(41,776)	-	(41,776)
Balance at 30 June 2016	464,175	343,771	0	807,946
 Balance at 1 July 2016	 464,175	 343,771	 0	 807,946
Total comprehensive income for year	-	104,689	-	104,689
Transactions				
Transfer to Highett YC Liability from Accumulated Profit		10,000		10,000
Dividends provided for or paid	-	(46,418)	-	(46,418)
Balance at 30 June 2017	464,175	412,042	0	876,217

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

Highett Community Financial Services Ltd
ABN 23 094 393 683

Statement of Cashflows
for the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash Flows from Operating Activities			
Receipts from customers		915,129	900,222
Payments to community, suppliers and employees		(729,015)	(770,374)
Interest received		13,747	14,958
Interest and other costs of finance paid		(30,486)	(29,275)
Income Tax paid		(56,158)	(27,847)
Net cash provided by operating activities	19	<u>113,217</u>	<u>87,684</u>
Cash Flows from Investing Activities			
Proceeds from other assets		0	0
Purchases of new assets		(3,554)	(627)
Receivables from other persons		<u>0</u>	<u>1,987</u>
Net cash provided by investing activities		<u>(3,554)</u>	<u>1,360</u>
Cash Flows from Financing Activities			
Return of Capital Amounts Paid		0	-30
Dividends paid		(46,418)	(41,776)
Unclaimed Dividend Monies		<u>3,077</u>	<u>1,171</u>
Net cash provided by financing activities		<u>(43,341)</u>	<u>(40,635)</u>
Net increase in cash and equivalents held		66,322	48,409
Cash and cash equivalents at the beginning of the financial year		<u>699,604</u>	<u>651,195</u>
Cash and cash equivalents at the end of the financial year	8	<u>765,926</u>	<u>699,604</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 2017**

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 2021 with a further 3 options of 5 years. The next review date is 18th March 2021

Provisions

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

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, price risk, credit risk, liquidity risk and cash flow interest rate risk.

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.

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.

Notes to the Financial Statements (continued)

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)

	2017	2016
	\$	\$
Note 4: Revenue from Ordinary Activities		
Interest Revenue	13,239	14,667
Upfront Product Commission	13,560	11,083
Trailer Product Commission	52,991 *	185,424
Fee Income	70,960	75,158
Market Development Fund	17,500	50,000
EFTPOS Terminal Rental	812	538
Gross Margin Income	755,898 *	575,611
	924,960	912,481

* Reflects change in Bendigo Bank income splitting model

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	14,612	12,416
Depreciation of non-current assets		
- Property , plant and equipment	4,434	5,538
Bad and Doubtful Debts	0	0
	19,046	17,954

Note 6: Income Tax

Prima facie income tax payable on operating profit at 27.5%	41,205	44,957
Add Tax Effect of		
-other non allowable items less PAYG Instalments	3,944	(3,933)
Income Tax Expense	45,149	41,024

Note 7: Dividends Paid or Provided

Dividends provided for or paid*	46,418	41,776
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Note 8: Cash and Cash Equivalents

Cash at Bank or on Hand	214,804	154,100
Term Deposit	551,122	545,504
	765,926	699,604

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

Note 9: Trade and Other Receivables

Trade Debtors (Profit Share from Bendigo Bank)	78,235	73,134
Other loans (Manager FBT Account)	0	0
Interest Receivable	3,258	3,767
	81,493	76,901

Highett Community Financial Services Ltd
ABN 23 094 393 683

Notes to the Financial Statements (continued)

	2017	2016
	\$	\$
Note 10: Property, Plant and Equipment		
Leasehold Improvements		
- At Cost	222,805	221,797
- Less Accumulated Depreciation	(67,006)	(61,894)
	155,799	159,903
Plant and Equipment		
- At Cost (Office Equipment)	31,376	28,829
- Less Accumulated Depreciation	(28,890)	(27,995)
	2,486	834
Motor Vehicles		
- At Cost	43,824	43,824
- Less Accumulated Depreciation	(26,597)	(23,557)
	17,227	20,267
Total written down amount	175,512	181,004
Movements in carrying amounts:		
Leasehold Improvements		
Carrying amount at beginning	159,903	164,916
Add: Additions	1,008	0
Less: Depreciation Expense	(5,112)	(5,013)
Carrying amount at end	155,799	159,903
Plant and Equipment		
Carrying amount at beginning	834	1,768
Add: Additions	2,546	627
Less: Depreciation Expense	(894)	(1,561)
Carrying amount at end	2,486	834
Motor Vehicles		
Carrying amount at beginning	20,267	23,843
Add: Additions	0	0
Less: Disposal	0	0
Less: Depreciation Expense	(3,040)	(3,576)
Carrying amount at end	17,227	20,267
Note 11: Intangible Assets		
Franchise Fee		
At Cost	50,000	50,000
Less: Accumulated Amortisation	(11,694)	(1,694)
	38,306	48,306

Highett Community Financial Services Ltd
ABN 23 094 393 683

Notes to the Financial Statements (continued)

	2017	2016
	\$	\$
Note 12: Payables		
Trade Creditors	106	0
Other Creditors (ATO)	8,992	7,563
Unclaimed Dividend and Capital Reduction Payments	13,621	10,544
	22,719	18,107

Note 13: Tax Liabilities

Taxation	4,777	17,213
GST Payable (Control Account)	7,894	7,736
Input Tax Credit (Control Account)	(2,626)	(2,845)
Amounts withheld	14,439	15,678
	24,484	37,782

Note 14: Provisions

Employee Entitlements (Leave, Long Service & Super)	67,818	61,980
	67,818	61,980

Note 15: Non Current Liability

Highett Youth Club Loan Account *	70,000	80,000
	70,000	80,000

* \$100,000 was provided to Highett Youth Club to assist with the New Club Building, a loan account was established during 2015. The principal is to be paid by HCFSL in 10 annual instalments of \$10,000, 7 Instalments are still to be paid.

Note 16: Contributed Equity

Ordinary shares at \$1.00 each fully paid at beginning	464,175	464,175
Ordinary shares at \$1.00 each fully paid at end	464,175	464,175

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 shareholder is entitled to one vote whether a show of hands is declared or a poll is called.

Note 17: Reserves

Balance at beginning of reporting period	0	90,000
Increase (decrease) in reserves during the reporting period *	0	(90,000)
Balance at reporting date	0	0

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

Hihett Community Financial Services Ltd
ABN 23 094 393 683

Notes to the Financial Statements (continued)

	2017	2016
	\$	\$
Note 18: Accumulated Profits		
Balance at beginning of reporting period	343,771	266,715
Transfer from/to Reserve from Accumulated Profits	0	90,000
Transfer from Accumulative Profit to Non Current Liability	10,000	(80,000)
Dividends Paid	(46,418)	(41,775)
Net Profit after Income Tax	104,689	108,831
Balance at the reporting date	412,042	343,771

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	104,689	108,831
Non Cash Items:		
-Depreciation & Amortisation	19,046	(32,046)
Changes in assets and liabilities		
-(Increase) Decrease in Receivable	(4,593)	(5,678)
-Increase (Decrease) in Payables	106	0
-Increase (Decrease) in Current Tax Liabilities	(11,870)	24,444
-Increase (Decrease) in Employee Entitlements	5,839	(7,867)
	113,217	87,684

Note 20: Operating Lease Commitments

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

Payable - estimate minimum lease payments		
- next 12 months	70,000	66,400
- between 12 months and next review 18th March 2021	260,000	282,000
	330,000	348,400

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:	4,000	3,750
Auditing the financial report.		

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 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

322-324 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:

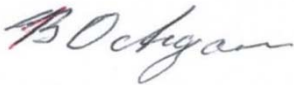
(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2017 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.



Brian Octigan
Director/Chairperson



Nola McConchie
Director/Treasurer

Date: 11th September 2017

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

We have audited the attached financial report of Hightt Community Financial Services Ltd for the year ended 30 June 2017. 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.

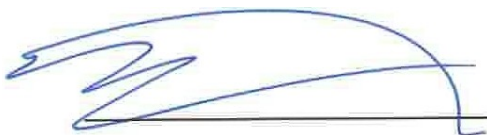
The audit opinion expressed in this report has been formed on the above basis.

Unqualified Audit Opinion

In our opinion, the financial report of Hightt 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 2017 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: 13th day of September 2017

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HIGHETT COMMUNITY FINANCIAL SERVICES LIMITED

ABN: 23 094 393 683

Highett Community Bank® Branch



Switch your banking, support your Community

322-324 Highett Rd, Highett

Phone: 9555 6055

You live in a community – not just a place.