

Hobsons Bay Community
Financial Services Limited

ABN 39 091 661 166

annual report 2011



Altona, Laverton/Altona Meadows and Point Cook
Community Bank® branches

Contents

Chairman's report	2-3
Senior Manager's report	4
Corporate governance statement	5
Directors' report	6-11
Auditor's independence declaration	12
Financial statements	13-16
Notes to the financial statements	17-25
Directors' declaration	26
Independent audit report	27-28
BSX report	29-30

Cover photo

Altona City Soccer Club.

Chairman's report

For year ending 30 June 2011

It is with great pleasure that I present this, the 11th Annual Report of Hobson's Bay Community Financial Services Limited to shareholders.

I am further pleased to be able to report that this year ending June 2011, has seen another excellent result for our community Company. You will see from the following financial report that our business continues to grow from strength to strength. This upward projectile of growth has resulted in many milestones including:

- Over \$300 million in accounts held across our three branches.
- Over 17,000 accounts held across our three branches.
- Over 250 sponsorships, donations and grants made to local groups/associations.
- Over \$1.3 million returned to the community.

Over the last 12 months we have maintained our support to the local community with sponsorships and donations. The sponsorship presentation program has continued, and so far in 2011, 40 community groups have received funds. Additionally, we have been involved in many successful community events and activities including the Christmas by The Lake, the Laverton Festival, Altona Australia Day Festival, the annual Family Sand Sculpture competition and the Altona Beach Festival. The support of these groups and events provides us with the opportunity and a great platform for promoting the **Community Bank**[®] concept.

This year, community forums were held across each community to seek ideas for a significant community project able to be undertaken, with the aid of funds generated by the Company's profits. The project may be one-off or ongoing and may also be carried out in partnership with other groups or the government. The aim of the forums was to work as a community to identify projects that need investment. Projects have now been identified, and due diligence is being completed. This is an exciting process for our Company to be undertaking and we look forward to updating you as developments occur.

Over the next 12 months significant investment will be made in the expansion and renovation of both the Point Cook and Laverton/Altona Meadows **Community Bank**[®] branches. The new layouts have been designed to promote a welcoming and engaging environment, and support customers to choose how they interact with the bank. The new layout incorporates technology that will make transactions more efficient and allow our staff more time to spend with customers.

The Board of Directors has an enormous depth of commitment to the Company, partnered by a true vision for the community. They continue to be proactive in ensuring the business continues to achieve the best outcomes for our shareholders, customers, staff and the community.

Our communities, shareholders, customers and staff are saddened by the death of our long term Director and friend, Frank Porter on 14 September 2011. Frank joined the Company in 2001, following a public meeting to establish the Altona **Community Bank**[®] Branch. As a member of the Board, Frank took responsibility for all staff employed by the Company. In his years of involvement, Frank contributed immeasurably to the business with commitment and passion. He will be missed.

The Company owes a great deal to the Managers and staff of our **Community Bank**[®] branches. The team is committed and passionate in supporting us to increase the community benefit. This year we welcomed Nuran Umit to the position of Altona **Community Bank**[®] Branch Manager and congratulated Ashley Coles on

Chairman's report continued

his promotion to Laverton/Altona Meadows **Community Bank**[®] Branch Manager. On behalf of the Board of Directors, I would like to take this opportunity to recognise and thank all staff for their efforts and their fantastic performance over the past 12 months.

Whilst the bank staff and the Board of Directors work hard to ensure the success and longevity of the business I encourage you, our shareholders, to help us achieve our goals. By both banking with us and advocating to others the benefits that our **Community Bank**[®] branches have to the community, we can make a bigger difference.

In closing, I trust that you find the following report satisfactory and thank you for your support throughout the year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'H. Da Silva', with a stylized flourish at the end.

Henry Da Silva
Chairman

Senior Manager's report

For year ending 30 June 2011

I reported last year, on how exciting our first 10 years had been. Now, one year into our second decade, that excitement continues.

With \$145,000 budgeted to go back into the community next year in sponsorships, grants and donations, the community benefit of our three branches increases each year. Add to this our community forums, held this year have identified potential major projects that our business can fund and support. The excitement and anticipation continues to build.

It can be boring to talk figures however our results are too impressive to ignore. Our overall banking business grew by an astounding 11% or \$30 million over the last financial year, and now total over \$300 million held in over 17,000 accounts. Continuing the trend established over recent years.

It seems like every day we're seeing new customers coming on board as the **Community Bank**[®] message continues to spread. What is pleasing for me is that, as our business grows, so does the amount we are able to give back to the community.

I thank our shareholders for their continued support, our hard working Board of Directors and our devoted and dedicated staff. Special thank you also, to our customers who, by banking with us, make it all happen.

Yours sincerely,



Senior Manager

Corporate governance statement

The Board is comprised entirely of non executive independent Directors. The skills experience and composition of the Board is detailed in the Director's report. Details of the Director's shareholdings, their remuneration and any transactions which they have conducted with the Company are included in the Directors Report and Notes to the Financial Statements.

The Board is committed to a high standard of corporate governance, financial reporting and integrity throughout the Company's operations. The following portfolios have been established as subcommittees to assist and advise the Board.

- Audit & Corporate Governance
- Finance and Asset Management
- Human Resources
- Marketing and Business Development
- Sponsorship
- Community Projects

Independent professional advice

Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the Company.

Identifying and managing business risks

The Board regularly monitors the operational and financial performance of the Company against budget and other key performance measures. The Board also receives advice on areas of operational and financial risks, and develops strategies in conjunction with management, to mitigate those risks.

Communication with shareholders

The Board of Directors aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the Company's activities and its state of affairs, including information necessary to assess the performance of the Directors.

Communication with shareholder is achieved through the distribution of the following information:

- The Annual Report distributed to all shareholders
- The Annual General Meeting to obtain shareholder approval for Board action as appropriate
- Announcements on the Bendigo Stock Exchange (BSX) website www.bsx.com.au
- Regular shareholder newsletters
- Summarised interim reports
- Website announcements.

The Board strives to ensure that Company announcements via the BSX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner. The Board has appointed the Corporate Governance Committee to be responsible for the disclosure processes of the BSX.

Directors' report

For the financial year ended 30 June 2011

The Directors present their report, together with the financial statements of the Hobson's Bay Community Financial Services Ltd for the year ended 30 June 2011.

Directors

The Directors of the Company at any time during the financial year are:

H Da Silva	M S Pernar	W M Gray	G Glasson
G Inserra	B J Cahoon	A D Shanahan	
F J Porter	G J Murdoch	M A Boyd	

Principal activities

During the year the Company continued to operate the Laverton / Altona Meadows **Community Bank**[®] Branch, Altona **Community Bank**[®] Branch and Point Cook **Community Bank**[®] Branch with the support of the Bendigo and Adelaide Bank Ltd.

Operating results

The Laverton/Altona Meadows **Community Bank**[®] branch made a net profit for the year of \$389,919 (2010 – \$336,336). The Altona **Community Bank**[®] Branch made a net profit for the year of \$245,710. (2010 – \$118,359) The Point Cook **Community Bank**[®] Branch made a net loss for the year of (\$59,805) (2010 – (\$90,003)). The overall net profit of the Company after providing for income tax was \$575,824 (2010 – \$364,692).

Dividends

Dividends paid or declared for payment are as follows:

Ordinary dividend paid on 24 November 2010, as recommended in last year's report	\$168,380
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The Directors have recommended payment of a fully franked dividend of 16 cents per share	\$224,506
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Review of operations

The net assets of the Company have increased by \$408,448 from 01 July 2010 to \$2,380,332 as at 30 June 2011

The Company has continued to grow with assets under management now exceeding \$304.4 million at the date of this report.

Significant changes in state of affairs

After significant consultation Bendigo and Adelaide Bank Ltd changed the margin sharing arrangement on term deposits greater than 90 days and fixed-rate home loans effective 1 April 2011. This will reduce gross revenue by about 5% but will gradually be offset by the natural growth of the business over time.

Directors' report continued

After balance date events

No other 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

Background activity continues on the Point Cook **Community Bank**[®] Branch expansion and modernisation project. It is now anticipated that this work will be completed late in 2011 or early in 2012.

Options to redevelop the Laverton/Altona Meadows **Community Bank**[®] Branch, which is now more than 10 years old, are also being considered, however, it is doubtful that any work will commence in the financial year ended 30 June 2012.

The franchise agreement for Point Cook **Community Bank**[®] Branch is due for renewal in March 2012, whilst the Laverton/Altona Meadows and Altona franchise agreements are due for renewal in November 2012. Action will occur over the coming months to ensure these agreements are renewed in the most efficient way possible.

Environmental regulations

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

Information on Directors

Mr H DaSilva Chairperson	Appointed Director 18 February 2000. Original Steering Committee member. Henry is a local businessman and owner of Ray White Real Estate Laverton.
Mr M S Pernar Secretary	Appointed Director 18 February 2000. Original Steering Committee member. Michael has been employed as the Manager/CEO of the Laverton Community Centre since 1995. His community spirit leads to his involvement in many local groups.
Mr G H Glasson Treasurer	Appointed 25 November 2008. Worked for thirty five years within the Altona Petrochemical Industry. Graeme is an Accountant, Rotarian and past President of the Sanctuary Lakes Golf Club.
Mr G Inserra (OAM)	Appointed Director on 18 February 2000. Original Steering Committee member and local resident. He is also a respected community worker with membership of numerous organisations.
Mr B J Cahoon	Appointed Director 18 February 2000. Original Steering Committee member. Bruce worked for BASE Australia – Altona Plant for 25 years, was part owner of the Double C Jeanery. He now operates his own business Double C Jeanery Corporate Wear. Bruce is a local resident and is involved in many local groups and associations.
Mr G J Murdoch (OAM)	Appointed Director at 2001 AGM. Former Mayor of Hobsons Bay, retired school principal and City of Hobsons Bay councillor, Graeme is a local resident and involved in many local groups and associations.

Directors' report continued

Information on Directors (continued)

Mr F J Porter	Appointed Director at 2001 AGM. Frank was a Justice of the Peace for 30 years and a Commissioner for Affidavits. Frank was also a holder of a 30 years Volunteer Service Award from the Royal Victorian Association of Honorary Justices and a holder of a Life Governors Jewell from the Freemasons Hospital of Victoria. Sadly, Mr Porter passed away on 14 September 2011.
A D Shanahan	Appointed Director at 2001 AGM. Former clothing store proprietor and accountant. Current member of Rotary.
Mr W M Gray	Appointed Director 18 February 2000. Original Steering Committee member. Wayne has extensive business and financial experience across a number of areas and is currently employed as a project Director of the Asia Pacific with IBM.
Mr M A Boyd	Appointed Director 29 November 2005. Former local business owner. Inaugural Chairperson for Hobsons Bay Community Financial Services Ltd.

The Directors and their associates have the following shares in the Company as at the 30 June 2011

Director		Associates	Total
Henry Da Silva	2,627		2,627
Wayne Gray	5,341	919	6,260
Denis Shanahan	625	1,250	1,875
Michael Boyd	2,346	656	3,002
Michael Pernar	1,399		1,399
Frank Porter		4,250	4,250
Bruce Cahoon	12,877	2,000	14,877
Giuseppe Inserra	6,564	11,001	17,565
Graeme Murdoch	1,250		1,250
Graeme Glasson	3,126		3,126

Directors' report continued

Directors' meetings

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. During the financial year, 11 meetings of Directors were held. Attendances were:

	Eligible to attend	Number attended
Mr H Da Silva (Chairperson)	11	10
Mr M S Pernar (Secretary)	11	9
Mr G Glasson (Treasurer)	11	8
Mr F J Porter	11	7
Mr G Inserra	11	10
Mr B J Cahoon	11	7
Mr W M Gray	11	5
Mr G J Murdoch	11	7
Mr AD Shanahan	11	9
Mr M A Boyd	11	7

Portfolio meetings

	Audit & corporate governance portfolio	Finance & asset management	Sponsorship	Marketing	Human resources	Community projects	Charitable trusts advisory committee
Total Meetings held	10	12	10	10	11	4	2
Henry Da Silva	5	4	5	5	7		
Michael Pernar	10						
Wayne Gray		6					
Denis Shanahan	4	8		8	7	3	
Graeme Murdoch			8	4		2	2
Guiseppe Inserra			10		6	4	2
Bruce Cahoon			7				2
Frank Porter		1	6		11		
Michael Boyd				6		3	
Graeme Glasson	5	10			1		

Directors' report continued

Remuneration report

Total remuneration of Directors

	2011	2010
Henry Da Silva	\$5,102	\$4,859
Michael Pernar	\$3,829	\$3,647
Wayne Gray	\$2,553	\$3,039
Frank Porter	\$3,829	\$3,647
Denis Shanahan	\$3,829	\$3,647
Graeme Murdoch	\$3,829	\$3,647
Giuseppe Inserra	\$2,553	\$2,431
Bruce Cahoon	\$2,553	\$2,431
Michael Boyd	\$2,553	\$2,431
Graeme Glasson	\$3,829	\$4,997

The Chairman was paid \$5,102, the Company Secretary \$3,829 and Treasurer \$3,829. The Company does not pay Director salaries and there are no performance conditions placed on Directors' remuneration. Directors' remuneration is set by the shareholders at the AGM.

Directors' and Auditors' insurance and indemnification

The Company has paid premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has not during or since the end of, the financial year, in respect of any person who is or has been an Auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred, including costs and expenses in successfully defending legal proceedings, or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred for the costs or expenses to defend legal proceedings.

Audit services

The Company's Auditor has not provided any non audit services during the year.

Directors' report continued

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is also included in the following page.

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



Director – Henry Da Silva



Director - Michael Stephen Pernar

Dated 30 September 2011

Auditor's independence declaration

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- i. No contraventions of the Auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. No contravention of any applicable code of professional conduct in relation to the audit.



Ross Clarke

Ross Clarke Pty Ltd

Melbourne

30 September 2011

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	2	2,905,775	2,485,848
Amortisation of franchise fee	3	(35,976)	(35,976)
Amortisation of leased assets	3	-	-
Depreciation of furniture & equipment	3	(35,430)	(37,910)
Employment expenses		(1,142,807)	(1,021,386)
Other expenses from ordinary activities		(853,921)	(855,281)
Total expenses from ordinary activities		(2,068,134)	(1,950,553)
Profit from ordinary activities before income tax		837,641	535,295
Income tax (expenses) relating to ordinary activities	5	(261,817)	(170,603)
Profit from ordinary activities after income tax		575,824	364,692
Profit/(loss) attributable to extraordinary items		-	-
Net profit attributable to members of the company		575,824	364,692
Earnings per share			
Basic & diluted earnings per share (cents per share)	10	41.03	25.99

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash assets	6	1,736,665	1,187,610
Receivables	7	265,494	249,648
Other	8	35,368	9,653
Total current assets		2,037,527	1,446,911
Non-current assets			
Property, furniture and equipment	9	798,887	831,417
Deferred tax asset	11	39,353	43,666
Intangible assets	12	36,971	72,947
Total non-current assets		875,211	948,030
Total assets		2,912,738	2,394,941
Current liabilities			
Payables	13	241,978	128,278
Tax liabilities	14	110,085	100,359
Provisions	15	56,759	65,903
Total current liabilities		408,822	294,540
Non-current liabilities			
Provisions	15	74,418	79,651
Tax liabilities	14	49,166	48,866
Total non-current liabilities		123,584	128,517
Total liabilities		532,406	423,057
Net assets		2,380,332	1,971,884
Equity			
Issued capital	16	1,130,008	1,130,008
Retained profits/(accumulated losses)		1,086,437	678,989
Revaluation reserve		163,887	162,887
Total equity		2,380,332	1,971,884

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Issued capital \$	Revaluation reserve \$	Retained profits (accumulated losses) \$	Total \$
Balance 1/07/2009	1,130,008	162,887	454,610	1,747,505
Dividend paid during year			(140,313)	(140,313)
Profit attributable to members of the Company			364,692	364,692
Revaluation increment				-
Balance 30/06/2010	1,130,008	162,887	678,989	1,971,884
Dividend paid during year			(168,376)	(168,376)
Profit attributable to members of the Company			575,824	575,824
Revaluation increment		1,000		1,000
Balance 30/06/2011	1,130,008	163,887	1,086,437	2,380,332

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from Bendigo and Adelaide Bank Ltd		3,107,285	2,662,826
Payments to suppliers and employees		(2,177,261)	(2,066,025)
Interest received		66,299	22,462
Interest and other costs of finance		(58,329)	(66,850)
Income tax paid		(218,663)	(87,866)
Net cash provided by (used in) operating activities	20b	719,331	464,547
Cash flows from investing activities			
Purchases of property, plant & equipment		(1,900)	(25,158)
Payment of franchise fees		-	-
Net cash provided by (used in) investing activities		(1,900)	(25,158)
Cash flows from financing activities			
Dividends paid		(168,376)	(140,313)
Repayment of borrowings		-	(183,168)
Net cash provided by (used in) financing activities		(168,376)	(323,481)
Net increase (decrease) in cash held		549,055	115,908
Cash at the beginning of the year		1,187,610	1,071,702
Cash at the end of the year	20A	1,736,665	1,187,610

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Statement of accounting policies

The significant accounting policies adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non-current assets.

(b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amounts of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Franchise revenue

Franchise revenue is recognised when the services are provided.

Interest income

Interest income is recognised when it accrues.

(c) Income tax

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

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

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

Notes to the financial statements continued

Note 1. Statement of accounting policies (continued)

(c) Income tax (continued)

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Property, plant and equipment

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

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a valuation by Land Link Property Group Pty Ltd, independent valuers dated 16th May 2011, less estimated cost of sale.

Plant and equipment

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

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the amount recoverable from these assets.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that ownership of the assets will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for 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.

(f) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Dividends are brought to account in the profit and loss account when received.

Notes to the financial statements continued

Note 1. Statement of accounting policies (continued)

(g) Franchise fee

The Franchise Fee is initially recorded at the amount, which the Franchisee paid the Franchisor. The Franchise Fee is amortised on a straight line basis over the life of the agreement.

The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

(h) Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The Company contributes to a superannuation fund as required by law. Contributions are charged against income as they are made.

(i) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions and investments in money market instruments maturing within less than two months, net of bank overdrafts.

(j) Comparative figures

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

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods, or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(l) Receivables

Trade debtors

The Bendigo and Adelaide Bank Ltd is the Company's only trade debtor. Accounts are settled every 30 days and no provision has been made for any portion of the amount due to be doubtful.

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Notes to the financial statements continued

Note 1. Statement of accounting policies (continued)

(m) Goods and Services Tax (continued)

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows rising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

	2011	2010
	\$	\$

Note 2. Revenue

Operating activities:

Franchise income	2,839,476	2,463,386
Interest revenue	66,299	22,462
Other operating revenue:		
- Other income	-	-
Total revenue from ordinary activities	2,905,775	2,485,848

Note 3. Expenses

Profit from ordinary activities before income tax includes the following specific expenses:

Amortisation of non-current assets:		
- Franchise fee	35,976	35,976
- Leased assets	nil	nil
Total amortisation expenses	35,976	35,976
Bad and doubtful debts	7,111	2,795
Interest paid	nil	6,168
Depreciation of non-current assets:		
- Plant and equipment	35,430	37,910

Note 4. Auditors' remuneration

Remuneration of the Auditor of the Company for:

Audit services	13,500	12,000
Other services	nil	nil
	13,500	12,000

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 5. Income tax

The prima facie tax payable on operating profit is reconciled to the income tax provided in the accounts as follows:

Operating profit before income tax	837,641	535,295
Prima facie income tax payable on operating profit @ 30%	251,292	160,589
Add:		
Tax effect of:		
Non-deductible amortisation	10,794	10,794
Asset revaluation	300	-
Capital works deduction	(569)	(569)
Capital allowance	-	(211)
Income tax expense/(revenue) attributable to ordinary activities		261,817
170,603		

Note 6. Cash assets

Bank accounts:

- Cash at bank	195,820	255,939
- Term deposits	1,540,658	930,827
- Cash on hand	187	844
	1,736,665	1,187,610

Note 7. Receivables

Current

Trade debtors	265,494	249,648
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Note 8. Other assets

Current

Sundry debtors	25,553	-
Prepayments	9,815	9,653
	35,368	9,653

Notes to the financial statements continued

	2011 \$	2010 \$
Note 9. Property, furniture and equipment		
Land and buildings:		
- Valued at fair value	530,000	529,000
	530,000	529,000
Plant and equipment:		
- At cost	645,287	643,387
- Less accumulated depreciation	(376,400)	(340,970)
	268,887	302,417
Leased plant and equipment:		
- At cost	15,615	15,615
- Less accumulated amortisation	(15,615)	(15,615)
	-	-
	798,887	831,417

Movements in carrying amounts

	L & B \$000	Plant & equip \$000	Total \$000
Balance at 1 July 2009	529	315	844
Additions		25	25
Disposals			
Revaluation increment			
Depreciation expense		(38)	(38)
Balance at 30 June 2010	529	302	831
Additions		2	2
Disposals			
Revaluation increment	1		1
Depreciation expense		(35)	(35)
Balance at 30 June 2011	530	269	799

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 10. Earnings per share		
Earnings used to calculate basic EPS	575,824	364,692
Number of ordinary shares used to calculate basic EPS	1,403,164	1,403,164

Note 11. Deferred tax assets

Deferred tax asset	39,353	43,666
The deferred tax asset is made up of the following estimated tax benefits:		
- temporary differences between tax & accounting income.	39,353	43,666
	39,353	43,666

Note 12. Intangibles

Franchise fee:

- At cost	179,881	179,881
- Less accumulated amortisation	(142,910)	(106,934)
	36,971	72,947

Note 13. Payables

Current

Unsecured:

- Trade creditors	149,697	63,133
- Other creditors and accruals	92,281	65,145
Total current liabilities	241,978	128,278

Note 14. Tax liabilities

Current

Current tax liability	58,683	45,488
GST payable	46,056	47,481
Amounts withheld from salary and wages	5,346	7,390
	110,085	100,359

Non-current

Deferred tax liability	49,166	48,866
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Notes to the financial statements continued

	Note	2011 \$	2010 \$
Note 15. Provisions			
Current			
Employee entitlements		56,759	65,903
		56,759	65,903
Non-current			
Employee entitlements		74,418	79,651
Aggregate employee entitlements liability		131,177	145,554
Number of employees at end of year		11	13

Note 16. Issued capital

1,403,164 ordinary shares	1,130,008	1,130,008
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Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholder meetings each member is entitled to one vote either when a poll is called, or otherwise each shareholder has one vote on a show of hands.

Note 17. Related parties

The following transactions were made with related parties during the financial year. All transactions are on normal commercial terms unless otherwise stated.

Ray White Real Estate, of which Mr H. Da Silva is a Director for rental of the Altona premises.	60,832	61,570
Sanctuary Lakes Corporate Wear of which Mr Bruce Cahoon is the proprietor for advertising.	5,000	-

Note 18. Dividends

Proposed final fully franked ordinary dividend of

1,403,164 @ 16 cents per share			
(2010: 1,403,164 @ 12 cents per share)	17	224,506	168,380

Notes to the financial statements continued

Note 19. Segment information

The Company operates predominantly in the financial services sector within Australia.

	2011 \$	2010 \$
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Note 20. Cash flow information

A) Reconciliation of cash

For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

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

Cash at bank	195,820	255,939
Term deposits	1,540,658	930,827
Cash on hand	187	844
	1,736,665	1,187,610

B) Reconciliation of net cash provided by/used in operating activities to net profit

Operating profit after income tax	575,824	364,692
Depreciation	35,430	37,910
Amortisation of franchise fee	35,976	35,976
Amortisation of leased assets	-	-

Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:

(Increase) decrease in trade and term debtors	(15,846)	(46,892)
(Increase) decrease in prepayments	(162)	3,305
(Increase) decrease in sundry debtors	(25,553)	-
Increase (decrease) in trade creditors and accruals	113,700	(31,360)
Increase (decrease) in employee entitlements	(14,377)	13,595
Increase (decrease) in sundry provisions	(3,169)	14,364
Increase/(decrease) in deferred income tax	4,313	(18,661)
Increase/(decrease) in provision for income tax	13,195	91,618
Net cash provided by operating activities	719,331	464,547

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) give a true and fair view of the financial position of the Company as at 30 June 2011 and of its performance for the year ended on that date and
 - (b) comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS) and;
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declaration required by section 295A of the Corporation ACT 2001 from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2011.

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



Director – Henry Da Silva



Director - Michael Stephen Pernar

Dated 30 September 2011

Independent audit report

Independent Audit report to the members

Report on the financial report

We have audited the accompanying financial report of Hobson's Bay Community Financial Services Limited which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosure in the financial report. The procedures selected depend on the Auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Independent audit report continued

Audit opinion

In our opinion the financial report of Hobson's Bay Community Financial Services Ltd is in accordance with the Corporations Act 2001, including :

- (a) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Signed on:

A handwritten signature in black ink, appearing to read 'Ross Clarke', with a horizontal line underneath.

Ross Clarke
Director

Ross Clarke Pty Ltd

Certified Practising Accountants

ABN 63 085 401 583

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at the 27 September 2011, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Ordinary shares	Number of shareholders
1 - 1000	278
1,001 - 5,000	177
5,001 - 10,000	25
10,001 - 100,000	27
100,001 and over	1
Total	508

Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote.

Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 111 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders

Shareholder	Number of shares	Percentage of capital
1. Altona Sports Club	118,750	8.4
2. Tino Ballan	83,238	5.9
3. Pelns Superannuation fund	56,250	4.2
4. Farlie Family Superannuation Fund	47,126	3.3
5. JLD Carpet Cleaning Pty Ltd Super Fund	40,938	2.9
6. Donald John Hallam	31,875	2.2
7. Laverton Community Centre	26,906	1.8
8. Felicity Reid	20,625	1.5
9. Schembri Corporate Investments	20,000	1.4
10. Olive May Dawson	19,688	1.4
	465,396	33.0

BSX report continued

Registered office and principal administrative office

The registered office of the Company is located at:

4B Pyke Street,
Werribee VIC 3030
Phone: (03) 9741 3151

The principal administrative office of the Company is located at:

4B Pyke Street,
Werribee VIC 3030
Phone: (03) 9741 3151

Security register

The security register (share register) is kept at:

26 Aviation Road,
Laverton VIC 3028
Phone: (03) 9369 8081

Company Secretary

Michael Pernar has been the Company Secretary of Hobson's Bay Community Financial Services Ltd for 11 years. His qualifications and experience include a Diploma in Business and 15 years in senior management.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are H Da Silva, M Pernar, D Shanahan, and G Glasson.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

Altona **Community Bank**[®] Branch
64 Pier Street, Altona VIC 3018
Phone: (03) 9398 8922

Laverton/Altona Meadows **Community Bank**[®] Branch
Shop 3, 28 Aviation Road, Laverton VIC 3028
Phone: (03) 9369 8455

Point Cook **Community Bank**[®] Branch
Shop 24 Sanctuary Lakes Shopping Centre,
300 Point Cook Road, Point Cook VIC 3030
Phone: (03) 9395 7724

Franchisee: Hobsons Bay Community Financial Services Limited
26 Aviation Road, Laverton VIC 3028
ABN: 39 091 661 166

www.hobsonsbaycfs.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11011) (07/11)

