



Hobsons Bay Community Financial Services Limited

ABN 39 091 661 166

ANNUAL REPORT 2013

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

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Chairman's report

For year ending 30 June 2013

I am delighted to present the 13th Annual Report of Hobsons Bay Community Financial Services Limited (HBCFSL) to our shareholders.

Happily I report that the year to June 2013 has yet again been successful for our community company. You will see from the following financial report that our business has continued its positive growth with another strong result.

Our company has marked the year with many great achievements including:

- \$360 million in accounts held across our three branches
- More than 17,000 accounts
- Overall net profit after community donations, abnormal write off (branch refurbishment) and taxation is \$229,439
- Over \$2.7 million returned to the community to date in projects, sponsorships, grants and dividends
- Over 75 sponsorships, donations and grants made to local community groups/associations
- Continued support of our Defib for Life program in which more than 95 defibrillator units were distributed to Laverton, Altona, Point Cook, and Williamstown communities
- Launch of the Point Cook Community Transport Service now transporting more than 85 seniors and people with a disability in Point Cook
- Establishment of a KickStart Breakfast program in four local schools
- Refurbishment of our Altona **Community Bank**[®] Branch transforming it into a 'Branch of the Future'.

We will continue to explore and assess new community investment projects which will benefit and develop our local area. Further, our commitment continues to our 'Branch of the Future' refurbishments which have been positively received by our staff and customers.

In the last 12 months we have supported our local communities with sponsorships, donations and grants. More than 40 local community groups, sporting clubs and not for profit groups were successful recipients of the sponsorship program. Whilst our 2012 Community Grants program saw another 16 community groups share in funds for community strengthening projects.

Our community support has extended to local community events and activities including:

- Laverton Festival
- Christmas at the Lakes
- Altona Australia Day Festival
- Altona Beach Festival
- Sanctuary Lakes Foundation Day
- Laverton Christmas gift drive
- Sponsor of Lions Club of Altona Soup Van
- Key sponsor of the Sanctuary Lakes Nature and Trail Walk.

Chairman's report (continued)

In January 2013, our company in partnership with the State Government of Victoria, Wyndham City Council, LINK Community Transport and Jamieson Community Centre launched the Point Cook Community Transport Service. This service provides essential transport services for some of our most isolated members of the community. The service is now transporting more than 85 people a week in and around Point Cook, enabling them to access medical services, shopping and recreational venues.

In partnership with the Rotary Club of Altona and the Rotary Club of Laverton/Point Cook, our **Community Bank**[®] branches were able to provide a KickStart Breakfast program to four local schools in our communities ensuring all students have the opportunity to start the day with a nutritious breakfast.

Our continued support of the Defib for Life program has now seen 97 automated defibrillators distributed to community groups, shopping centres, sporting grounds and service stations. In early 2013, we extended our distribution to four local railway stations ensuring commuters on the Williamstown and Werribee railway lines have access to this life saving equipment.

Thanks to the Australia-wide **Community Bank**[®] network of branches, more than \$100 million has been returned to local communities, and this is thanks to the customers and shareholders of these branches.

We thank our customers and shareholders who have helped our **Community Bank**[®] branches distribute over \$2.7 million dollars to date in projects, sponsorships, grants and dividends. These contributions have helped strengthen and develop the communities of Hobsons Bay and Wyndham.

On 1 July 2013, HBCFSL will begin operating on the Low Volume Market (LVM) to facilitate the trading of our shares. This move will benefit our shareholders providing a more transparent process than an informal 'notice board' system.

Your Board of Directors is a dedicated and knowledgeable team of people, who come together with a strong commitment to making a valuable contribution to our community. As Chairman, I am privileged to be working with such a dedicated and talented group of people on your behalf.

The company acknowledges the incredible work of the Managers, staff of our **Community Bank**[®] branches, administration and marketing staff. With their hard work and support on a daily basis, we have managed to grow as a company and to make increasing contributions to the community. On behalf of the Board, I thank each and every Manager and staff member for their continuing support.

Furthermore, the ongoing support of our shareholders is greatly appreciated. Without their support we would not be in the position we are today. Our relationship with our shareholders is truly remarkable. Together we can make a difference to the community we live in. I encourage all shareholders to advocate on our behalf and spread the message about how banking with us benefits and makes a difference to the lives of people locally. It is together that we can truly make a big difference.

In closing, I commend this report to you in the hope that you find it satisfactory. Thank you for your continued support throughout this past year.

Yours sincerely,



Henry Da Silva
Chairman

Senior Manager's report

For year ending 30 June 2013

It is hard to believe this is our 13th year, and it's true, time does fly when you're having fun. It is pleasing to acknowledge that our enthusiasm has not waned, along with our commitment to the community.

These are certainly challenging times, however, I am pleased to say the growth of our **Community Bank**[®] branches has continued, with total banking business now exceeding \$360 million and over 17,000 accounts held in our three branches.

Our commitment to our communities continued with our Defib for Life Project, which is still going strong and more machines have been distributed to the community over the past year. Total Defib machines now exceed 95, and we will continue to fund further machines where appropriate. The feedback from the local community in relation to this project has been amazing. Even if we save one life with this project, then we have achieved our goal.

Our Point Cook **Community Bank**[®] Bus and Kick Start breakfast program, which we began in the past year, are two other very worthy and highly successful projects. We recently were recognised as finalists in the franchise section of the 2013 Business Awards for the Point Cook Community Bus Project. Congratulations to all involved and we look forward to assisting seniors and people with a disability who have trouble getting out or accessing essential services.

It was pleasing to see our Altona Branch be refitted into the "Branch of the Future" layout, joining our Point Cook **Community Bank**[®] Branch. Staff and customers enjoy the new engaging, banking environment they experience in these two branches. No doubt Laverton/Altona Meadows **Community Bank**[®] Branch our third branch, which is awaiting its turn for refurbishment, will enjoy this experience in the future too.

I need to include my usual message that the more the community banks with us, the more we are able to return to the community in the form of sponsorships, donations, grants and dividends.

A big thank you to our very dedicated staff, our administration and marketing consultants, our loyal customers and especially our shareholders, whose support enables all this to happen.



John Dawson
Senior Manager

Corporate governance statement

For year ending 30 June 2013

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 Directors' 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 has 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.

The Directors are currently undertaking a complete Risk Assessment analysis on its operations which is expected to be completed before the end of the year.

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 shareholders 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
- Regular shareholder newsletters.

Directors' report

For the financial year ended 30 June 2013

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 2013.

Directors

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

H Da Silva	M S Pernar	G Glasson	W M Gray (Resigned 2/10/12)
G Inserra	B J Cahoon	A D Shanahan	
K McAliney	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/ Adelaide Bank Ltd.

Operating Results

The net operating profit of the company before community grants, abnormal write off of the old Altona fit out and taxation was \$716,442 (2012 \$914,070). The overall net profit of the company after payment of community grants, the abnormal write off and taxation was \$229,439 (2012 \$427,970).

Dividends

Dividends paid or declared for payment are as follows:

Ordinary dividend paid on 30 November 2012, as recommended in last year's report	\$224,506
Ordinary 2013 interim dividend paid on 22 March 2013 of 6 cents per share	\$84,190
The Directors have recommended payment of a fully franked final dividend for 2013 of 8 cents per share	\$112,253

Review of Operations

The net assets of the company have decreased by \$79,257 from 01 July 2012 to \$2,504,539 as at 30 June 2013.

The company has continued to grow with assets under management now exceeding \$357.8 million at the date of this report.

The franchise agreements for all branches have been brought into line and all renewed on 1st November 2012 for a further period of 5 years.

The project to renovate the Altona branch was completed during June 2013 and the new branch opened on the first day of business in July.

Significant Changes in State of Affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the company that occurred during the year which have not been disclosed in this report.

Directors' report (continued)

After balance date events

Hobson's Bay CFS Ltd resigned from the National Stock Exchange effective from the close of business 30 June 2013. The Low Volume Market Share Trading Process will be utilised for the future trading of shares.

Future developments

The Directors are considering design options to redevelop the Laverton /Altona Meadows branch in the near future.

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 18th 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 18th February 2000. Original Steering Committee member. Michael has been employed as the Manager/CEO of the Laverton Community Centre since 1995. His community spirit lends to his involvement in many local groups.

Mr G H Glasson

Appointed 25th 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 BASF Australia – Altona Plant for 25 years, was part owner of the Double C Jeanery. He now operates his own business Western Industrial Workwear. 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 councillor, Graeme is a local resident and involved in many local groups and associations.

Ms K McAliney

Treasurer

Appointed Director 1st March 2012. A qualified CPA, graduate of the Institute of Company Directors and former Mayor of City of Wyndham and past Councillor for seven years.

Kim also holds various directorships including South West Melbourne Medicare Local, Greater Metropolitan Cemeteries Trust, Wyndham Legal Aid, Westgate Community Road Safe Council and a Consultant for G4S Custodial services.

Directors' report (continued)

Information on Directors (continued)

A D Shanahan

Appointed Director at 2001 AGM. Former clothing store proprietor and accountant. Current member of Rotary.

Mr W M Gray

Appointed Director 18th 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. Resigned on 2 October 2012.

Mr M A Boyd

Appointed Director 18th February 2000. 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 30 June 2013

Director		Associates	Total
Henry Da Silva	2,627		2,627
Denis Shanahan	625	1,250	1,875
Michael Boyd	3,004		3,004
Michael Pernar	1,399		1,399
Bruce Cahoon	10,376	2,500	12,877
Giuseppe Inserra	6,564	11,001	17,565
Graeme Murdoch	1,250		1,250
Graeme Glasson	3,126		3,126

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	10
Ms K McAliney (Treasurer)	11	11
Mr G Glasson	11	7
Mr G Inserra	11	11
Mr B J Cahoon	11	10
Mr W M Gray	11	1
Mr G J Murdoch	11	11
Mr AD Shanahan	11	8
Mr M A Boyd	11	9

Directors' report (continued)

Portfolio meetings

	Audit & Corporate Governance	Finance & Asset Management	Sponsorship	Business Development	Human Resources	Community Projects
Total Meetings held	11	12	10	10	11	9
Henry Da Silva	4	5	4	1	4	1
Michael Pernar	10			2		4
Denis Shanahan	4	10		10	4	4
Graeme Murdoch			10	3		
Giuseppe Inserra		1	9		8	8
Bruce Cahoon			9			1
Kim McAliney	11	12	1			
Michael Boyd				3	9	8
Graeme Glasson	3	6				4

Remuneration report

Total remuneration of Directors

	2013	2012
Henry Da Silva	\$5,625.00	\$5,357.00
Michael Pernar	\$4,221.00	\$4,020.00
Wayne Gray	\$704.00	\$2,680.00
Frank Porter	\$0.00	\$670.00
Denis Shanahan	\$4,221.00	\$4,020.00
Graeme Murdoch	\$4,221.00	\$4,020.00
Giuseppe Inserra	\$2,814.00	\$2,680.00
Bruce Cahoon	\$2,814.00	\$2,680.00
Michael Boyd	\$2,814.00	\$2,680.00
Graeme Glasson	\$2,814.00	\$4,020.00
Kim McAliney	\$4,221.00	\$893.00

The Chairman was paid \$5,625, the Company Secretary \$4,221 & Treasurer \$4,221. 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' report (continued)

Directors' Privileges Package

Hobson's Bay Community Financial Services Ltd has accepted the **Community Bank**[®] Directors' Privileges Package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Bendigo Bank. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

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.

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.



Henry Da Silva
Director



Michael Stephen Pernar
Director

Dated 27 September 2013

Auditor's independence declaration

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 2013 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

27 September 2013

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	2	2,990,209	3,090,229
Amortisation of franchise fee	3	(38,473)	(34,377)
Depreciation of furniture & equipment	3	(34,176)	(40,330)
Employment expenses	3	(1,324,285)	(1,262,017)
Community development expenses		(297,966)	(371,531)
Other expenses from ordinary activities		(968,351)	(830,505)
Total expenses from ordinary activities		(2,663,251)	(2,538,760)
Profit from ordinary activities before income tax		326,958	551,469
Income tax (expenses) relating to ordinary activities	5	(97,519)	(123,499)
Profit from ordinary activities after income tax		229,439	427,970
Profit/(loss) attributable to extraordinary items		-	-
		229,439	427,970
Other comprehensive income		-	-
Net profit attributable to members of the company		229,439	427,970
Earnings per share			
Basic & diluted earnings per share (cents per share)	10	16.30	30.50

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
Current assets			
Cash assets	6	1,517,003	1,770,149
Receivables	7	255,184	271,483
Other	8	12,008	14,511
Total current assets		1,784,195	2,056,143
Non-current assets			
Property, furniture and equipment	9	1,111,285	960,942
Deferred tax asset	11	48,621	43,848
Intangible assets	12	169,014	73,016
Total non-current assets		1,328,920	1,077,806
Total assets		3,113,115	3,133,949
Current liabilities			
Payables	13	419,121	452,170
Tax liabilities	14	(21,781)	(97,342)
Provisions	15	67,447	61,702
Total current liabilities		464,787	416,530
Non-current liabilities			
Provisions	15	94,623	84,457
Tax liabilities	14	49,166	49,166
Total non-current liabilities		143,789	133,623
Total liabilities		608,576	550,153
Net assets		2,504,539	2,583,796
Equity			
Issued capital	16	1,130,008	1,130,008
Retained profits/(accumulated losses)		1,210,644	1,289,901
Revaluation reserve		163,887	163,887
Total equity		2,504,539	2,583,796

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2013

	Issued Capital \$	Revaluation Reserve \$	Retained Profit (Accumulated Losses) \$	Total \$
Balance 1/07/11	1,130,008	162,887	1,086,437	2,379,332
Dividend paid during year			(224,506)	(224,506)
Profit attributable to members of the company			427,970	427,970
Revaluation increment				-
Balance 30/06/12	1,130,008	163,887	1,289,901	2,583,796
Dividends paid during year			(308,696)	(308,696)
Profit attributable to members of the company			229,439	229,439
Revaluation increment				-
Balance 30/06/13	1,130,008	163,887	1,210,644	2,504,539

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Receipts from Bendigo Bank Limited		3,418,484	3,280,793
Payments to suppliers and employees		(2,830,569)	(2,686,694)
Interest received		77,398	101,664
Interest and other costs of finance		-	-
Income tax paid		(239,405)	(316,619)
Net cash provided by (used in) operating activities	20B	425,908	379,144
Cash flows from investing activities			
Purchases of property, plant & equipment		(235,887)	(50,732)
Payment of franchise fees		(134,471)	(70,422)
Net cash provided by (used in) investing activities		(370,358)	(121,154)
Cash flows from financing activities			
Dividends paid		(308,696)	(224,506)
Repayment of borrowings		-	-
Net cash provided by (used in) financing activities		(308,696)	(224,506)
Net increase (decrease) in cash held		(253,146)	33,484
Cash at the beginning of the year		1,770,149	1,736,665
Cash at the end of the year	20A	1,517,003	1,770,149

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

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.

(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.

Notes to the financial statements (continued)

Note 1. Statement of accounting policies (continued)

(g) Franchise fee (continued)

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 Bank Limited 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.

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.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 2. Revenue		
Operating activities:		
Franchise income	2,912,811	2,988,565
Interest revenue	77,398	101,664
Other income	-	-
Total revenue from ordinary activities	2,990,209	3,090,229

Note 3. Expenses

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

Amortisation of non-current assets:		
- Franchise fee	38,473	34,377
Total amortisation expenses	38,473	34,377
Bad and doubtful debts	5,927	2,873
Point Cook - write off of old fitout	-	68,197
Altona - write off of old fitout	91,518	-
Depreciation of non-current assets:		
- Plant and equipment	34,176	40,430
Employment expenses	1,324,285	1,262,017

Note 4. Auditors' remuneration

Remuneration of the Auditor of the company for:

Audit services	15,000	15,038
Other services	nil	nil
	15,000	15,038

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	326,958	551,469
Prima facie income tax payable on operating profit @ 30%	98,087	165,441

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 5. Income tax (continued)		
Add:		
Tax effect of:		
Asset revaluation	-	-
Capital works deduction	(568)	(569)
Refund of previous income tax expense	-	(41,373)
Income tax expense/(revenue) attributable to ordinary activities	97,519	123,499

Note 6. Cash assets

- Cash at bank	218,299	397,527
- Term deposits	1,295,678	1,371,717
- Cash on hand	3,026	905
	1,517,003	1,770,149

Note 7. Receivables

Current

Trade debtors	255,184	271,483
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Note 8. Other assets

Current

Sundry debtors	-	1,283
Prepayments	12,008	13,228
	12,008	14,511

Note 9. Property, furniture and equipment

Land and buildings:

- Valued at fair value	530,000	530,000
	530,000	530,000

Plant and equipment:

- At cost	823,128	756,291
- Less accumulated depreciation	(241,843)	(325,349)
	581,285	430,942

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, furniture and equipment (continued)		
Leased plant and equipment:		
- At cost	15,615	15,615
- Less accumulated amortisation	(15,615)	(15,615)
	-	-
	1,111,285	960,942

Movements in carrying amounts

	L & B \$000	Plant & Equip \$000	Total \$000
Balance at 1 July 2011	530	269	799
Additions		270	270
Disposals		(68)	(68)
Revaluation increment			
Depreciation expense		(40)	(40)
Balance at 30 June 2012	530	431	961
Additions		276	276
Disposals		(92)	(92)
Revaluation increment			
Depreciation expense		(34)	(34)
Balance at 30 June 2013	530	581	1,111

	2013 \$	2012 \$
Note 10. Earnings per share		
Earnings used to calculate basic EPS	229,439	427,970
Number of ordinary shares used to calculate basic EPS	1,403,164	1,403,164

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 11. Deferred tax assets		
Deferred tax asset	48,621	43,848
The deferred tax asset is made up of the following estimated tax benefits:		
- temporary differences between tax & accounting income.	48,621	43,848
	48,621	43,848

Note 12. Intangibles

Franchise fee:		
- At cost	194,952	190,303
- Less accumulated amortisation	(25,938)	(117,287)
	169,014	73,016

Note 13. Payables

Current		
Unsecured:		
- Trade creditors	111,831	120,974
- Point Cook fitout	-	219,850
- Altona fitout	260,000	-
- Other creditors and accruals	47,290	111,346
Total current liabilities	419,121	452,170

Note 14. Tax liabilities

Current		
Current tax liability/(refund)	(55,242)	(147,724)
GST payable	24,815	43,822
Amounts withheld from salary and wages	8,646	6,560
	(21,781)	(97,342)
Non-current		
Deferred tax liability	49,166	49,166

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 15. Provisions		
Current		
Employee entitlements	67,447	61,702
	67,447	61,702
Non-current		
Employee entitlements	94,623	84,457
Aggregate employee entitlements liability	162,070	146,159
Number of employees at end of year	12	10

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.	63,659	63,266
Western Industrial Workwear of which Mr Bruce Cahoon is the proprietor for advertising.	2,544	2,735

Note 18. Dividends

Paid final fully franked ordinary dividend of 1,403,164 @ 16 cents per share (2012: 1,403,164 @ 16 cents per share)	224,506	224,506
Paid interim 2013 fully franked ordinary dividend of 1,403,164 @ 6 cents per share (2012 Nil)	84,190	-
	308,696	224,506

Note 19. Segment information

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

Notes to the financial statements (continued)

	2013 \$	2012 \$
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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	218,299	397,527
Term deposits	1,295,678	1,371,717
Cash on hand	3,026	905
	1,517,003	1,770,149

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

Activities to net profit		
Operating profit after income tax	229,439	427,970
Depreciation	34,176	40,330
Amortisation of franchise fee	38,473	34,377
Loss on disposal of property, plant & equipment	91,518	68,197

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

(Increase) decrease in trade and term debtors	16,299	(5,989)
(Increase) decrease in prepayments	1,220	(3,413)
(Increase) decrease in sundry debtors	1,283	24,270
Increase (decrease) in trade creditors and accruals	(73,199)	(9,656)
Increase (decrease) in employee entitlements	15,911	14,980
Increase (decrease) in sundry provisions	(16,921)	(1,020)
Increase/(decrease) in deferred income tax	(4,773)	(4,495)
Increase/(decrease) in provision for income tax	92,482	(206,407)
Net cash provided by operating activities	425,908	379,144

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 2013 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 2013.

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



Henry Da Silva
Director



Michael Stephen Pernar
Director

Dated 27 September 2013

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 2013, 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*.

Hobson's Bay Community Financial Services Limited

Independent audit report (continued)

INDEPENDENT AUDIT REPORT TO THE MEMBERS

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 2013 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: 27 September 2013



Ross Clarke
Director
Ross Clarke Pty Ltd
Certified Practising Accountants
ABN 63 085 401 583

NSX report

Hobson's Bay Community Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

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

Ordinary shares	Number of shareholders	Number of shares
1 - 1000	271	131,008
1,001 - 5,000	172	359,825
5,001 - 10,000	24	172,968
10,001 - 100,000	28	620,613
100,001 and over	1	118,750
Total	496	1,403,164

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 107 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.

Additional Annual Report Information

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	28,219	2.0
8. The Waring Family Superannuation Fund	23,657	1.6
9. Richard E Thorne	21,033	1.5
10. Felicity Reid	20,625	1.4
	471,711	33.4

NSX 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

Additional Annual Report information

Company Secretary

Michael Pernar has been the Company Secretary of Hobson's Bay Community Financial Services Ltd for 13 years. His qualifications and experience include a Diploma in Business and 16 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, G Glasson & K McAliney.
- (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 3

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

5 Year summary of performance

	2009 \$	2010 \$	2011 \$	2012 \$	2013 \$
Gross revenue	2,141,262	2,485,848	2,905,775	3,090,229	2,990,209
Net profit before tax	307,578	535,295	837,641	551,469	326,958
Total assets	2,265,514	2,394,941	2,912,738	3,133,949	3,113.115
Total liabilities	518,009	423,057	532,406	550,153	608,576
Total equity	1,747,505	1,971,884	2,380,332	2,583,796	2,504,539



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
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