



Annual Report 2014

Hobsons Bay Community
Financial Services Limited

ABN 39 091 661 166

Altona, Laverton and Point Cook
Community Bank® branches

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Chairman's report

For year ending 30 June 2014

I am delighted to present the 14th Annual Report of Hobsons Bay Community Financial Services Limited (HBCFSL) to our shareholders.

I can report that your company has completed a year of lower but solid profit. The changes in the profit share arrangement with Bendigo Bank which we first brought to your attention in the June 2012 financial reports combined with the increased costs of operating branches have reduced the profitability of **Community Bank**[®] branches. The Directors are confident that the company will remain profitable in the future.

This year the Board has focused efforts on the company's strategic plan to ensure longevity and success into the future. The key pillars of the plan have resulted in risk management projects and a renewed concentration on the assessment of community engagement platforms and partnerships that deliver reciprocal advantages. Further, our commitment continues to the 'Branch of the Future' refurbishment program that has been well received by our staff and customers.

A review of the **Community Bank**[®] model is currently underway. It is a collaborative effort to explore and analyse the model; an approach strongly underpinned by financial modelling and empirical analysis. The future model will then be tested and reviewed through extensive consultation and enquiry.

With a holistic strategic review of the **Community Bank**[®] model, and with a joint commitment to set the vision and strategy for a sustainable commercial model, HBCFSL and our partner, Bendigo Bank will create a shared vision for future long-term success regardless of changes to operational and market conditions.

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

- \$363 million in accounts held across our three branches
- More than 17,000 accounts
- Over \$3.1 million returned to the community to date in projects, sponsorships, grants and dividends
- Over 68 sponsorships, donations and grants made to local community groups/associations
- Continued support of our Defib for Life program with defibrillators installed at the Seaworks site, Williamstown and Saltwater Coast Community Centre, Point Cook. Numerous community education sessions have also been held during the course of the year
- Continued funding of the Point Cook Community Transport Service now transporting more than 115 seniors and people with a disability in Point Cook
- Continuation of the KickStart Breakfast program in four local schools.

In the last 12 months we have supported our local communities with sponsorships, donations and grants. More than 45 local community groups, sporting clubs and not for profit organisations were successful recipients of sponsorship funding during the year. Whilst our Community Grants program saw another 23 community groups share in funds for community strengthening projects.

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

- Rotary Club of Altona Annual Hobsons Bay Art Show
- Laverton Festival
- Christmas at the Lakes
- Altona Australia Day Festival
- Sanctuary Lakes Foundation Day

Chairman's report (continued)

- Laverton Christmas gift drive
- Youth Foundation Push for Youth fundraiser.
- Starlight Children's Foundation fundraising event

Our **Community Bank**[®] branches are well recognised for supporting our community, providing access to funding in big and small ways, and making a difference. But this is only possible because local people choose to do their banking business with us. We look forward to supporting our community partners to strengthen the area and in turn help spread the message of the **Community Bank**[®] philosophy.

Thanks to the support of **Community Bank**[®] customers and shareholders, the Australia-wide network has now returned more than \$122 million to support and strengthen local communities. This enormous achievement came as the **Community Bank**[®] network celebrated the opening of its 305th branch in Penola, South Australia, 16 years after the **Community Bank**[®] concept was born in the western Victorian farming townships of Rupanyup and Minyip in 1998.

We have played a key role in these milestones, returning more than \$3.1 million to our local community.

Our partner, Bendigo Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. This means the Bendigo Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

On 1 July 2013, HBCFSL began operating on the Low Volume Market (LVM) to facilitate the trading of our shares. This move has benefited our shareholders by providing a more transparent process than an informal 'notice board' system. Up to the end of June 2014, almost 2,000 shares have been traded.

In 2014 we said goodbye to Senior Manager, John Dawson. He has been a valued part of our community company family since the beginning 14 years ago, having seen it expand from one small **Community Bank**[®] branch in Laverton, to the opening of Altona and Point Cook **Community Bank**[®] branches. John has the Altona community in his heart and we know he will continue to contribute in the future.

This year we have also welcomed Point Cook **Community Bank**[®] Branch Manager, Satish Vishwanath and Altona **Community Bank**[®] Branch Manager, Daniela Guertler to the group.

The company acknowledges the incredible work of the Managers, staff of our **Community Bank**[®] branches, administration and marketing staff. Through their hard work, we continually strive to strengthen as a company and to make increasing contributions to the community. On behalf of the Board, I thank the team for their continuing support.

Your Board of Directors is a dedicated and knowledgeable team of people from the local area, who come together driven to make a valuable contribution to our community. As Chairman, I am inspired to be working with such a committed group of people.

Together we can make a difference to the community we live in. I encourage our shareholders to be advocates for our branches, starting with switching their banking business, financial planning and even insurance to our **Community Bank**[®] branches. By doing this, a tangible difference is made to this community.

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

Corporate governance statement

For year ending 30 June 2014

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 2014

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 2014.

Directors

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

| | | |
|------------|-------------|-------------------------------|
| H Da Silva | M S Pernar | G Glasson |
| G Inserra | B J Cahoon | A D Shanahan |
| M A Boyd | G J Murcoch | K McAliney (Resigned 11/2/14) |

Principal activities

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

Operating results

The net operating profit of the company before community grants, and taxation was \$370,727 (2013 \$716,442). The overall net profit of the company after payment of community grants, and taxation was \$156,137 (2013 \$229,439).

Dividends

Dividends paid or declared for payment are as follows:

| | |
|--|-----------|
| Ordinary dividend paid on 29 November 2013, as recommended in last year's report | \$112,253 |
| Ordinary 2014 interim dividend paid on 11 April 2014 of 3 cents per share | \$42,095 |
| The Directors have recommended payment of a fully franked final dividend for 2014 of 8 cents per share | \$112,253 |

Review of operations

The net assets of the company have increased by \$50,789 from 01 July 2013 to \$2,534,257 as at 30 June 2014, while assets under management also increased, now exceeding \$363.7 million at the date of this report.

The changes in the profit share arrangement with the Bendigo and Adelaide Bank Limited, which we first brought to your attention in the June 2012 financial reports combined with the increased costs of running the bank have reduced the profitability of **Community Bank**[®] branches. The Directors are confident that the company will remain profitable in the future.

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

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

The company will continue to work towards its budget targets for the three branches at Laverton, Altona and Point Cook.

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 Da Silva

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

(Treasurer from 12/02/14)

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. He is the recipient of a number of awards in recognition of his commitment to the local community, including an OAM awarded to him in 2007.

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. Resigned 11 February 2014.

Directors' report (continued)

Information on Directors (continued)

Mr A D Shanahan

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

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 the 30 June 2014

| 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 | 12,813 | 19,377 |
| 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 | 11 |
| Mr M S Pernar (Secretary) | 11 | 10 |
| Ms K McAliney (Treasurer until 11/2/14) | 6 | 6 |
| Mr G Glasson (Treasurer from 12/2/14) | 11 | 10 |
| Mr G Inserra | 11 | 10 |
| Mr B J Cahoon | 11 | 11 |
| Mr G J Murdoch | 11 | 9 |
| Mr AD Shanahan | 11 | 10 |
| Mr M A Boyd | 11 | 10 |

Directors' report (continued)

Portfolio meetings

| | Audit & Corporate Governance | Finance & Asset Management | Sponsorship | Business Development | Human Resources | Community Projects | Youth |
|---------------------|------------------------------|----------------------------|-------------|----------------------|-----------------|--------------------|-------|
| Total Meetings held | 11 | 11 | 10 | 8 | 11 | 11 | 7 |
| Henry Da Silva | 7 | 8 | 2 | 4 | 3 | 2 | |
| Michael Pernar | 10 | | | | | 6 | 7 |
| Denis Shanahan | 9 | 9 | | 8 | 8 | 8 | |
| Graeme Murdoch | | | 9 | 6 | | | |
| Giuseppe Inserra | | | 9 | 1 | 11 | 8 | 3 |
| Bruce Cahoon | | | 10 | | | 1 | |
| Kim McAliney | 5 | 5 | | | | | |
| Michael Boyd | | | | 4 | 11 | 11 | 6 |
| Graeme Glasson | | 9 | | 2 | 1 | 7 | |

Remuneration report

Total remuneration of Directors

| | 2013 | 2012 |
|------------------|---------|---------|
| Henry Da Silva | \$5,906 | \$5,625 |
| Michael Pernar | \$4,432 | \$4,221 |
| Denis Shanahan | \$4,432 | \$4,221 |
| Graeme Murdoch | \$4,432 | \$4,221 |
| Giuseppe Inserra | \$2,955 | \$2,814 |
| Bruce Cahoon | \$2,955 | \$2,814 |
| Michael Boyd | \$4,432 | \$2,814 |
| Graeme Glasson | \$3,523 | \$2,814 |
| Kim McAliney | \$2,728 | \$4,221 |

The Chairman was paid \$5,906, the Company Secretary \$4,432 & Treasurer \$3,296. 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' 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 and Adelaide Bank Limited. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

Directors' report (continued)

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.

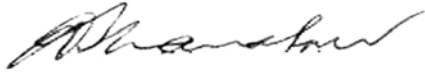
Audit services

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.



Denis Shanahan
Director



Michael Stephen Pernar
Director

Dated 29 September 2014

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 2014 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

29 September 2014

Hobson's Bay Community Financial Services Limited

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|--|----------|--------------------|--------------------|
| Revenues from ordinary activities | 2 | 2,769,872 | 2,990,209 |
| Amortisation of franchise fee | 3 | (39,047) | (38,473) |
| Depreciation of furniture & equipment | 3 | (32,733) | (34,176) |
| Employment expenses | 3 | (1,380,646) | (1,324,285) |
| Community development expenses | | (204,357) | (297,966) |
| Other expenses from ordinary activities | | (890,848) | (968,351) |
| Total expenses from ordinary activities | | (2,547,631) | (2,663,251) |
| Profit from ordinary activities before income tax | | 222,241 | 326,958 |
| Income tax (expenses) relating to ordinary activities | 5 | (66,104) | (97,519) |
| Profit from ordinary activities after income tax | | 156,137 | 229,439 |
| Profit/(loss) attributable to extraordinary items | | - | - |
| | | 156,137 | 229,439 |
| Other comprehensive income | | - | - |
| Net profit attributable to members of the company | | 156,137 | 229,439 |
| Earnings per share | | | |
| Basic & diluted earnings per share (cents per share) | 10 | 11.13 | 16.35 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|---------------------------------------|------|------------------|------------------|
| Current assets | | | |
| Cash assets | 6 | 1,341,937 | 1,517,003 |
| Receivables | 7 | 249,422 | 255,184 |
| Other | 8 | 11,439 | 12,008 |
| Total current assets | | 1,602,798 | 1,784,195 |
| Non-current assets | | | |
| Property, furniture and equipment | 9 | 1,177,954 | 1,111,285 |
| Deferred tax asset | 11 | 31,352 | 48,621 |
| Intangible assets | 12 | 129,967 | 169,014 |
| Total non-current assets | | 1,339,273 | 1,328,920 |
| Total assets | | 2,942,071 | 3,113,115 |
| Current liabilities | | | |
| Payables | 13 | 150,903 | 419,121 |
| Tax liabilities | 14 | 32,867 | (21,781) |
| Provisions | 15 | 82,389 | 67,447 |
| Total current liabilities | | 266,159 | 464,787 |
| Non-current liabilities | | | |
| Provisions | 15 | 50,418 | 94,623 |
| Tax liabilities | 14 | 91,237 | 70,237 |
| Total non-current liabilities | | 141,655 | 164,860 |
| Total liabilities | | 407,814 | 629,647 |
| Net assets | | 2,534,257 | 2,483,468 |
| Equity | | | |
| Issued capital | 16 | 1,130,008 | 1,130,008 |
| Retained profits/(accumulated losses) | | 1,191,362 | 1,189,573 |
| Revaluation reserve | | 212,887 | 163,887 |
| Total equity | | 2,534,257 | 2,483,468 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2014

| | Issued capital \$ | Revaluation reserve \$ | Retained profits (Accumulated losses) \$ | Total \$ |
|--|-------------------------|------------------------------|--|------------------|
| Balance 1/07/12 | 1,130,008 | 163,887 | 1,268,830 | 2,562,725 |
| Dividend 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 | 1,189,573 | 2,483,468 |
| Dividends paid during year | | | (154,348) | (154,348) |
| Profit Attributable to members of the company | | | 156,137 | 156,137 |
| Revaluation Increment | | 49,000 | | 49,000 |
| Balance 30/06/14 | 1,130,008 | 212,887 | 1,191,362 | 2,534,257 |

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|--|------------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from Bendigo and Adelaide Bank Limited | | 3,105,865 | 3,418,484 |
| Payments to suppliers and employees | | (2,662,816) | (2,830,569) |
| Interest received | | 38,190 | 77,398 |
| Interest and other costs of finance | | - | - |
| Income tax paid | | (212,555) | (239,405) |
| Net cash provided by (used in) operating activities | 20B | 268,684 | 425,908 |
| Cash flows from investing activities | | | |
| Purchases of property, plant & equipment | | (289,402) | (235,887) |
| Payment of franchise fees | | - | (134,471) |
| Net cash provided by (used in) investing activities | | (289,402) | (370,358) |
| Cash flows from financing activities | | | |
| Dividends paid | | (154,348) | (308,696) |
| Repayment of borrowings | | - | - |
| Net cash provided by (used in) financing activities | | (154,348) | (308,696) |
| Net increase (decrease) in cash held | | (175,066) | (253,146) |
| Cash at the beginning of the year | | 1,517,003 | 1,770,149 |
| Cash at the end of the year | 20A | 1,341,937 | 1,517,003 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

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.

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.

Notes to the financial statements (continued)

Note 1. Statement of accounting policies (continued)

(c) Income tax (continued)

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 Ray White Real Estate, dated 14th April 2014, 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.

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

(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.

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

(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 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 arising 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)

| | 2014 \$ | 2013 \$ |
|---|------------------|------------------|
| Note 2. Revenue | | |
| Operating activities: | | |
| Franchise income | 2,731,682 | 2,912,811 |
| Interest revenue | 38,190 | 77,398 |
| Other income | - | - |
| Total revenue from ordinary activities | 2,769,872 | 2,990,209 |

Note 3. Expenses

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

| | | |
|-------------------------------------|---------------|---------------|
| Amortisation of non-current assets: | | |
| - Franchise fee | 39,047 | 38,473 |
| Total amortisation expenses | 39,047 | 38,473 |
| Bad and doubtful debts | 1,504 | 5,927 |
| Altona - write off of old fitout | - | 91,518 |
| Depreciation of non-current assets: | | |
| - Plant and equipment | 32,733 | 34,176 |
| Employment expenses | 1,380,646 | 1,324,285 |

Note 4. Auditors' remuneration

Remuneration of the auditor of the company for:

| | | |
|----------------|---------------|---------------|
| Audit services | 14,500 | 15,000 |
| Other services | nil | nil |
| | 14,500 | 15,000 |

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 | 222,241 | 326,958 |
|---|----------------|----------------|

Notes to the financial statements (continued)

| | 2014 \$ | 2013 \$ |
|---|---------------|---------------|
| Note 5. Income tax (continued) | | |
| Prima facie income tax payable on operating profit @ 30% | 66,672 | 98,087 |
| Add: | | |
| Tax effect of: | | |
| Asset revaluation | | - |
| Capital works deduction | (568) | (568) |
| Refund of previous income tax expense | - | - |
| Income tax expense/(revenue) attributable to ordinary activities | 66,104 | 97,519 |

Note 6. Cash assets

| | | |
|-----------------|------------------|------------------|
| - Cash at bank | 108,324 | 218,299 |
| - Term deposits | 1,230,787 | 1,295,678 |
| - Cash on hand | 2,826 | 3,026 |
| | 1,341,937 | 1,517,003 |

Note 7. Receivables

Current

| | | |
|----------------------|----------------|----------------|
| Trade debtors | 249,422 | 255,184 |
|----------------------|----------------|----------------|

Note 8. Other assets

Current

| | | |
|----------------|---------------|---------------|
| Sundry debtors | - | - |
| Prepayments | 11,439 | 12,008 |
| | 11,439 | 12,008 |

Note 9. Property, furniture and equipment

Land and buildings:

| | | |
|------------------------|----------------|----------------|
| - Valued at fair value | 600,000 | 530,000 |
| | 600,000 | 530,000 |

Plant and equipment:

| | | |
|---------------------------------|----------------|----------------|
| - At cost | 852,530 | 823,128 |
| - Less accumulated depreciation | (274,576) | (241,843) |
| | 577,954 | 581,285 |

Notes to the financial statements (continued)

| | 2014 \$ | 2013 \$ |
|---|------------------|------------------|
| Note 9. Property, furniture and equipment (continued) | | |
| Leased plant and equipment: | | |
| - At cost | 15,615 | 15,615 |
| - Less accumulated amortisation | (15,615) | (15,615) |
| | - | - |
| | 1,177,954 | 1,111,285 |

Movements in carrying amounts

| | L & B \$000 | Plant & equip \$000 | Total \$000 |
|--------------------------------|----------------|------------------------|----------------|
| Balance at 1 July 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 |
| Additions | | 30 | 30 |
| Disposals | | | |
| Revaluation increment | 70 | | 70 |
| Depreciation expense | | (33) | (33) |
| Balance at 30 June 2014 | 600 | 578 | 1,178 |

| | 2014 \$ | 2013 \$ |
|--|------------|------------|
|--|------------|------------|

Note 10. Earnings per share

| | | |
|---|-----------|-----------|
| Earnings used to calculate basic EPS | 156,137 | 229,439 |
| Number of ordinary shares used to calculate basic EPS | 1,403,164 | 1,403,164 |

Note 11. Deferred tax assets

| | | |
|--|---------------|---------------|
| Deferred tax asset | 31,352 | 48,621 |
| The deferred tax asset is made up of the following estimated tax benefits: | | |
| - temporary differences between tax & accounting income. | 31,352 | 48,621 |
| | 31,352 | 48,621 |

Notes to the financial statements (continued)

| | 2014 \$ | 2013 \$ |
|---------------------------------|----------------|----------------|
| Note 12. Intangibles | | |
| Franchise fee: | | |
| - At cost | 194,952 | 194,952 |
| - Less accumulated amortisation | (64,985) | (25,938) |
| | 129,967 | 169,014 |

Note 13. Payables

Current

Unsecured:

| | | |
|----------------------------------|----------------|----------------|
| - Trade creditors | 91,332 | 111,831 |
| - Altona fitout | - | 260,000 |
| - Other creditors and accruals | 59,571 | 47,290 |
| Total current liabilities | 150,903 | 419,121 |

Note 14. Tax liabilities

Current

| | | |
|--|---------------|-----------------|
| Current tax liability/(refund) | (24,313) | (55,242) |
| GST payable | 37,072 | 24,815 |
| Amounts withheld from salary and wages | 20,108 | 8,646 |
| | 32,867 | (21,781) |

Non-current

| | | |
|-------------------------------|---------------|---------------|
| Deferred tax liability | 91,237 | 70,237 |
|-------------------------------|---------------|---------------|

Note 15. Provisions

Current

| | | |
|-----------------------------|---------------|---------------|
| Losses on procedural errors | 28,300 | - |
| Employee entitlements | 54,089 | 67,447 |
| | 82,389 | 67,447 |

Non-current

| | | |
|---|---------------|---------------|
| Employee entitlements | 50,418 | 94,623 |
| Aggregate employee entitlements liability | 104,507 | 162,070 |
| Number of employees at end of year | 16 | 12 |

Notes to the financial statements (continued)

| | 2014 \$ | 2013 \$ |
|----------------------------------|------------------|------------------|
| Note 16. Issued capital | | |
| 1,403,164 ordinary shares | 1,130,008 | 1,130,008 |

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. | 64,372 | 63,659 |
| Western Industrial Workwear of which Mr Bruce Cahoon is the proprietor for advertising. | 2,938 | 2,544 |

Note 18: Dividends

Paid final fully franked ordinary dividend of

| | | |
|--|---------|---------|
| 1,403,164 @ 8 cents per share (2013: 1,403,164 @ 16 cents per share) | 112,253 | 224,506 |
|--|---------|---------|

Paid interim 2014 fully franked ordinary dividend of

| | | |
|--|----------------|----------------|
| 1,403,164 @ 3 cents per share (2013 1,403,164 @ 6 cents per share) | 42,095 | 84,190 |
| | 154,348 | 308,696 |

Note 19. Segment information

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

Notes to the financial statements (continued)


| | 2014 \$ | 2013 \$ |
|--|------------------|------------------|
| 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 | 108,324 | 218,299 |
| Term deposits | 1,230,787 | 1,295,678 |
| Cash on hand | 2,826 | 3,026 |
| | 1,341,937 | 1,517,003 |
| B) Reconciliation of net cash provided by/used in operating activities to net profit | | |
| Operating profit after income tax | 156,137 | 229,439 |
| Depreciation | 32,733 | 34,176 |
| Amortisation of franchise fee | 39,047 | 38,473 |
| Loss on disposal of property, plant & equipment | - | 91,518 |
| Asset revaluation | - | - |
| Changes in assets and liabilities net of effects of purchases and disposals of controlled entities: | | |
| (Increase) decrease in trade and term debtors | 5,762 | 16,299 |
| (Increase) decrease in prepayments | 569 | 1,220 |
| (Increase) decrease in sundry debtors | - | 1,283 |
| Increase (decrease) in trade creditors and accruals | (8,218) | (73,199) |
| Increase (decrease) in employee entitlements | (57,563) | 15,911 |
| Increase (decrease) in sundry provisions | 52,019 | (16,921) |
| Increase/(decrease) in deferred income tax | 17,269 | (4,773) |
| Increase/(decrease) in provision for income tax | 30,929 | 92,482 |
| Net cash provided by operating activities | 268,684 | 425,908 |

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 2014 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 2014.

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



Denis Shanahan
Director



Michael Stephen Pernar
Director -

Dated 29 September 2014

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 2014, 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 2014 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: 29 September 2014



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

Hobson's Bay Community Financial Services Limited

NSX report

Hobson's Bay Community Financial Services Limited is a public company incorporated in Australia.

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 | 268 | 128,477 |
| 1,001 - 5,000 | 171 | 359,167 |
| 5,001 - 10,000 | 24 | 172,968 |
| 10,001 - 100,000 | 27 | 623,802 |
| 100,001 and over | 1 | 118,750 |
| Total | 491 | 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 105 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 | 28,219 | 2.0 |
| 8. The Waring Family Superannuation Fund | 24,313 | 1.7 |
| 9. Richard E Thorne | 21,033 | 1.5 |
| 10. Felicity Reid | 20,625 | 1.4 |
| | 472,867 | 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

Company Secretary

Michael Pernar has been the Company Secretary of Hobson's Bay Community Financial Services Ltd for 14 years. His qualifications and experience include a Diploma in Business and 17 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.
- (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.

5 Year summary of performance

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Gross revenue | 2,485,848 | 2,905,775 | 3,090,229 | 2,990,209 | 2,769,872 |
| Net profit before tax | 535,295 | 837,641 | 551,469 | 326,958 | 222,241 |
| Total assets | 2,394,941 | 2,912,738 | 3,133,949 | 3,113,115 | 2,942,071 |
| Total liabilities | 423,057 | 532,406 | 550,153 | 629,647 | 407,814 |
| Total equity | 1,971,884 | 2,380,332 | 2,583,796 | 2,483,468 | 2,534,257 |



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

Laverton **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
 Shop 3, 28 Aviation Road, Laverton VIC 3028
 Phone: (03) 9369 8434
 ABN: 39 091 661 166

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