



Annual Report 2015

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 2015

I am delighted to present the Annual Report of Hobsons Bay Community Financial Services Limited (HBCFSL) to our shareholders in this, our 15th year of operation.

I can report that your company has completed a year of solid profit. Changes in the profit sharing arrangement with Bendigo Bank foreshadowed in June 2012, have continued to challenge the business, resulting in reduced margins and total income. In view of this, the Board has closely examined operating costs and successfully reduced total expenditure. The Directors are confident that the company will remain profitable in the future.

This year the Board has continued efforts around the company's strategic plan. The key pillars of the strategic plan have resulted in risk management projects and the execution of the revised community engagement partnership program.

In June, a double celebration was held to mark the official opening of the Laverton **Community Bank**[®] Branch's "Branch of the Future" refurbishment as well as its 15th birthday. Just on 15 years ago, the Laverton community and our courageous first shareholders were pioneers in the establishment of the branch, enabling banking services to be successfully returned to the Aviation Road area. The branch was one of the first in the country and is now part of a network of 310 **Community Bank**[®] branches. To celebrate the occasion, a street party was held in Laverton, attended by an estimated crowd of over 600 people. The new look branch is fresh, bright and has been welcomed by staff and customers alike.

Our partner Bendigo Bank, in conjunction with the national **Community Bank**[®] network, recently completed the most comprehensive review of the **Community Bank**[®] model since inception. Project Horizon reviewed the **Community Bank**[®] model from its humble beginnings in 1998 to what it is today, with representation in every State and Territory. The work around Project Horizon will continue over the coming months.

The banking environment has been a tough one for several years now, not just in our community but nationally, and indeed globally. Directors continue to focus on the need to grow the business and are working on a number of strategies to achieve this. Together with our committed and friendly service driven branch staff, we continue to work hard to grow and strengthen our business' performance for the betterment of our local communities.

There will be a pool of marketing funds that all **Community Bank**[®] companies will contribute to and this will enable improved collaboration for regional, state and national marketing of the **Community Bank**[®] brand and its ideals.

Our company has marked the year with many positive achievements in our 15th year including:

- Over \$377 million in accounts held across our three branches
- More than 17,000 accounts
- Over \$3.4 million returned to the community to date in projects, sponsorships, grants and dividends
- Over 55 sponsorships, donations and grants made to local community groups/associations
- Extensive Refurbishment of the Laverton **Community Bank**[®] Branch and building.
- Continued support of our Defib for Life program with a defibrillator installed at the Point Cook Soccer Club.
- Financial support for the Laverton Youth Foundation program
- Third year of funding for the Point Cook Community Transport Service now transporting more than 180 seniors and people with a disability
- Continuation of the KickStart Breakfast program in four local schools.

Chairman's report (continued)

In the last year we have supported our local communities with sponsorships, donations and grants. In late 2014 we launched the Community Partnership funding program. This program distributes funding every six months and aims to develop mutually beneficial partnerships with local community groups, sporting clubs and not for profit organisations. It was fantastic to welcome a large crowd of shareholders and community groups at a presentation evening in May.

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
- Laverton Christmas gift drive
- Altona Film Festival.

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

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.

The 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. An active succession plan is in operation to ensure the longevity and future good governance of our company. I am inspired to be working with such a committed group of people and energised for the future.

As a shareholder we thank you for your support. If you're banking with our **Community Bank**[®] branches – thank you. If you're not, then it's worth asking the question "How can the local branch staff assist me in achieving my financial goals through the various products and services on offer?" The friendly and experienced staff at one of our **Community Bank**[®] branches would be more than happy to assist you in this regard. By doing this, a tangible contribution is made to our local area and together we can make a difference to the community we live in.

Yours sincerely,



Henry Da Silva
Chairman

Corporate governance statement

For year ending 30 June 2015

The Board is comprised entirely of non executive independent Directors. The skills, experience and composition of the Board are 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
- Community Engagement
- Buildings and Investments
- Youth.

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 shareholder

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 2015

The Directors present their report, together with the financial statements of the Hobsons Bay Community Financial Services Ltd for the year ended 30 June 2015.

Directors

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

H Da Silva	M S Pernar	G Glasson (Resigned 25/11/2014)
G Inserra	B J Cahoon	G J Murdoch (Resigned 25/11/2014)
M A Boyd	A D Shanahan	G Ryan (Appointed 25/11/2014)
E Driscoll (Appointed 25/11/2014)		

Principal activities

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

Operating results

The net operating profit of the company before community grants, and taxation was \$384,199 (2014 \$370,727). The overall net profit of the company after payment of community grants, and taxation was \$237,689 (2014 \$156,137).

Dividends

Dividends paid or declared for payment are as follows:

Ordinary dividend paid on 28 November 2014, as recommended in last year's report	\$112,253
Ordinary 2015 interim dividend paid on 24 April 2015 of 3 cents per share	\$42,095
The Directors have recommended payment of a fully franked final dividend for 2015 of 9 cents per share	\$126,285

Review of operations

The net assets of the company have increased by \$83,341 from 01 July 2014 to \$2,638,669 as at 30 June 2015, while assets under management also increased, now exceeding \$378.8 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 **Community Bank**[®] 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 DaSilva

Chairperson

Appointed Director 18 February 2000. Original Steering Committee member. Henry is a local businessman and owner of Ray White Real Estate Laverton.

Mr M S Pernar

Secretary

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

Mr G H Glasson

(Treasurer until 25/11/14)

Appointed 25 November 2008. Worked for 35 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 on 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. (Resigned 25/11/2014)

Mr G Ryan

(Treasurer from 26/11/2014) Appointed Director on 25 November 2014. Grant has been Managing Director/ Finance Director for 30 years. He has a Bachelor of Commerce, C.PA.

Ms E Driscoll

Appointed Director on 25 November 2014.

Emma is a Chartered Member of the Australian Human Resources Institute. She has worked as the HR and Payroll Lead in the Group Shared Services for Crowe Horwath Australasia. She has numerous qualifications, including BBus (ECO), BA (Social Science), GDipED (Secondary), MEd (Lead & Supervision).

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 M A Boyd

Appointed Director 18 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 2015.

Director		Associates	Total
Henry Da Silva	2,627		2,627
Denis Shanahan	625	1,250	1,875
Michael Boyd	502		502
Michael Pernar	1,399		1,399
Bruce Cahoon	10,377	2,500	12,877
Giuseppe Inserra	6,564	12,813	19,377
Graeme Murdoch	1,250		1,250
Graeme Glasson	3,126		3,126
Grant Ryan	656		656

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	11
Mr G Ryan (Treasurer from 26/11/14)	6	6
Mr G Glasson (Treasurer until 25/11/14)	5	4
Mr G Inserra	11	11
Mr B J Cahoon	11	11
Mr G J Murdoch (Resigned 25/11/14)	5	5
Mr A D Shanahan	11	9
Mr M A Boyd	11	5
Ms E J Driscoll	6	6

Directors' report (continued)

Portfolio meetings

	Audit & Corporate Governance	Finance & Asset Management	Community Engagement	Human Resources	Building & Investments Subcommittee	Youth
Total Meetings held	11	11	11	12	9	6
Henry Da Silva	10	8		6	8	
Michael Pernar	10		3			6
Denis Shanahan	11	10	11	12	9	
Graeme Murdoch			3			
Giuseppe Inserra			9	8		5
Bruce Cahoon			11			
Grant Ryan	10	9			7	
Michael Boyd			5	5		2
Graeme Glasson		8				
Emma Driscoll				11		

Remuneration report

Total remuneration of Directors

	2015	2014
Henry Da Silva	\$6,202	\$5,906
Michael Pernar	\$4,654	\$4,432
Denis Shanahan	\$4,654	\$4,432
Graeme Murdoch	\$1,879	\$4,432
Giuseppe Inserra	\$3,103	\$2,955
Bruce Cahoon	\$3,103	\$2,955
Michael Boyd	\$3,878	\$4,432
Graeme Glasson	\$1,879	\$3,523
Grant Ryan	\$2,774	-
Emma Driscoll	\$2,625	-

The Chairman was paid \$6,202, the Company Secretary \$4,654 & Treasurers \$4,653. 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

Hobsons 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 utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited 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.



Denis Shanahan
Director



Michael Stephen Pernar
Director

Dated this 25 September 2015

Auditor's independence declaration

TOWARDS A VISION SHARED



ABN 15 893 818 045

127 Paisley Street
Footscray VIC 3011
Australia

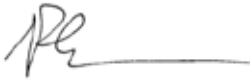
Phone (03) 9680 1000
Fax (03) 9689 6605

www.collinsco.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
HOBSONS BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166**

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 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.



**Frederik Ryk Ludolf Eksteen CA
ASIC Auditor Registration Number 421448**

**Collins & Co
127 Paisley Street
FOOTSCRAY VIC 3011**

Dated this 25th day of September 2015

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenues from ordinary activities	2	2,845,171	2,769,872
Amortisation of franchise fee	3	(38,990)	(39,047)
Depreciation of furniture & equipment	3	(31,287)	(32,733)
Employment expenses	3	(1,380,065)	(1,380,646)
Community development expenses		(166,719)	(204,357)
Other expenses from ordinary activities		(889,366)	(890,848)
Total expenses from ordinary activities		(2,506,427)	(2,547,631)
Profit from ordinary activities before income tax		338,744	222,241
Income tax (expenses) relating to ordinary activities	5	(101,055)	(66,104)
Profit from ordinary activities after income tax		237,689	156,137
Profit/(loss) attributable to extraordinary items		-	-
		237,689	156,137
Other comprehensive income		-	-
Net profit attributable to members of the company		237,689	156,137
Earnings per share			
Basic & diluted earnings per share (cents per share)	11	16.93	11.13

The statement of profit and loss and other comprehensive Income is to be read in conjunction with the audit report and the notes to the financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2015

	Notes	2015 \$	2014 \$
Current assets			
Cash assets	6	1,587,246	1,341,937
Receivables	7	247,150	249,422
Other	8	6,435	11,439
Total current assets		1,840,831	1,602,798
Non-current assets			
Property, furniture and equipment	9	1,496,928	1,177,954
Deferred tax asset	12	39,132	31,352
Intangible assets	14	90,977	129,967
Total non-current assets		1,627,037	1,339,273
Total assets		3,467,868	2,942,071
Current liabilities			
Payables	15	511,790	150,903
Tax liabilities	16	116,802	32,867
Provisions	17	67,689	82,389
Total current liabilities		696,281	266,159
Non-current liabilities			
Provisions	17	62,752	50,418
Tax liabilities	16	70,166	70,166
Total non-current liabilities		132,918	120,584
Total liabilities		829,199	386,743
Net assets		2,638,669	2,555,328
Equity			
Issued capital	18	1,130,008	1,130,008
Retained profits/(accumulated losses)		1,344,940	1,261,599
Revaluation reserve		163,721	163,721
Total equity		2,638,669	2,555,328

The statement of financial position is to be read in conjunction with the audit report and the notes to the financial statements.

Financial statements (continued)

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

	Issued capital \$	Revaluation reserve \$	Retained profits (Accumulated losses) \$	Total \$
Balance 1/07/13	1,130,008	114,721	1,259,810	2,504,539
Dividend 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	163,721	1,261,599	2,555,328
Dividends paid during year			(154,348)	(154,348)
Profit attributable to members of the company			237,689	237,689
Revaluation increment				-
Balance 30/06/15	1,130,008	163,721	1,344,940	2,638,669

The statement of changes in equity is to be read in conjunction with the audit report and the notes to the financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from bendigo and adelaide bank limited		2,988,072	3,105,865
Payments to suppliers and employees		(2,337,498)	(2,662,816)
Interest received		46,144	38,190
Interest and other costs of finance		-	-
Income tax paid		(279,641)	(212,555)
Net cash provided by (used in) operating activities	22b	417,077	268,684
Cash flows from investing activities			
Purchases of property, plant & equipment		(17,420)	(289,402)
Payment of franchise fees		-	-
Net cash provided by (used in) investing activities		(17,420)	(289,402)
Cash flows from financing activities			
Dividends paid		(154,348)	(154,348)
Repayment of borrowings		-	-
Net cash provided by (used in) financing activities		(154,348)	(154,348)
Net increase (decrease) in cash held		245,309	(175,066)
Cash at the beginning of the year		1,341,937	1,517,003
Cash at the end of the year	22a	1,587,246	1,341,937

The statement of cash flows is to be read in conjunction with the audit report and the notes to the financial statements.

Notes to the financial statements

For year ended 30 June 2015

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) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as (i) the amount at which the financial asset or financial liability is measured at initial recognition (ii) less principal repayments (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Financial assets at fair value through the profit & loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

Notes to the financial statements (continued)

Note 1. Statement of accounting policies (continued)

(d) Financial instruments (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. If during the period the company sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments would be tainted and reclassified as available-for-sale.

Available-for sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in equity of other entities where there is neither fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the end of the reporting period.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation

Fair value

Fair Value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(e) 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.

Notes to the financial statements (continued)

Note 1. Statement of accounting policies (continued)

(e) Property, plant and equipment (continued)

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 14 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.

(f) 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.

(g) 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.

(h) Franchise fee

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

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

(i) 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.

Notes to the financial statements (continued)

Note 1. Statement of accounting policies (continued)

(i) Employee entitlements (continued)

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

(j) 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.

(k) Comparative figures

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

(l) 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.

(m) 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.

(n) 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.

(o) Correction of error with revaluation reserve & deferred liabilities

During the year ended 30 June 2015, an error was corrected in relation to the incorrect accounting treatment of the deferred tax liability on the revaluation reserve which occurred in the 2010 financial year. The error was corrected and the following account balances restated as follows:

Notes to the financial statements (continued)

Note 1. Statement of accounting policies (continued)

(o) Correction of error with revaluation reserve & deferred liabilities (continued)

Account	01.07.2013 Original	01.07.2013 Restated	30.06.2014 Original	30.06.2014 Restated
Deferred tax liabilities	70,237	49,166	91,237	70,166
Revaluation reserve	163,887	114,721	212,887	163,721
Retained profits	1,189,753	1,259,810	1,191,362	1,261,599

The deferred tax liability was overstated by \$21,071, the revaluation reserve was overstated by \$49,166 and the retained profits were understated by \$70,237.

	2015 \$	2014 \$
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Note 2. Revenue

Operating activities:

Franchise income	2,799,027	2,731,682
Interest revenue	46,144	38,190
Other income	-	-
Total revenue from ordinary activities	2,845,171	2,769,872

Note 3. Expenses

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

Amortisation of non-current assets:

- Franchise fee	38,990	39,047
Total amortisation expenses	38,990	39,047

Bad and doubtful debts	791	1,504
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Altona - write off of old fitout	-	-
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Depreciation of non-current assets:

- Plant and equipment	31,287	32,733
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Employment expenses	1,380,065	1,380,646
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Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 4. Auditors' remuneration		
Remuneration of the Auditor of the company for:		
Audit services	12,600	14,500
Other services	nil	nil
	12,600	14,500

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	338,744	222,241
Prima facie income tax payable on operating profit @ 30%	101,623	66,672
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	101,055	66,104

Note 6. Cash assets

- Cash at bank	133,582	108,324
- Term deposits	1,452,196	1,230,787
- Cash on hand	1,468	2,826
	1,587,246	1,341,937

Note 7. Receivables

Current

Trade debtors	247,150	249,422
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Note 8. Other assets

Current

Sundry debtors	-	-
Prepayments	6,435	11,439
	6,435	11,439

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 9. Property, furniture and equipment		
Land and buildings:		
- Valued at fair value	600,000	600,000
	600,000	600,000
Plant and equipment:		
- At cost	1,008,930	852,530
- Less accumulated depreciation	(112,002)	(274,576)
	896,928	577,954
Leased plant and equipment:		
- At cost	15,615	15,615
- Less accumulated amortisation	(15,615)	(15,615)
	-	-
	1,496,928	1,177,954

Movements in carrying amounts

	L & B \$000	Plant & equip \$000	Total \$000
Balance at 1 July 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
Additions		368	368
Disposals		(18)	(18)
Revaluation increment			
Depreciation expense		(31)	(31)
Balance at 30 June 2015	600	897	1,497

Notes to the financial statements (continued)

	Note	2015 \$	2014 \$
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Note 10. Leasing commitments

Operating lease commitments

The organisation's future operating lease payments are as follows:

Payable - Minimum lease payments			
no later than 12 months		290,196	239,969
between 12 months and 5 years		-	-
greater than five years		-	-

Note 11. Earnings per share

Earnings used to calculate basic EPS		237,689	156,137
Number of ordinary shares used to calculate basic EPS		1,403,164	1,403,164

Note 12. Deferred tax assets

Deferred tax asset		39,132	31,352
The deferred tax asset is made up of the following estimated tax benefits:			
- temporary differences between tax & accounting income.		39,132	31,352
		39,132	31,352

Note 13. Financial risk management

The company's financial instruments consist mainly of deposits with banks, local money market investments, accounts receivable and payable.

The company does not have any derivative instruments at 30 June 2015.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed to these financial statements are as follows:

Financial assets

Cash and cash equivalents	note 6	1,587,246
Receivables	note 7	247,150
		1,834,396

Financial liabilities

Trade and other payables	note 15	511,790
		511,790

Notes to the financial statements (continued)

Note 13. Financial Risk Management (Continued)

(1) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

(2) Liquidity risk

The company manages liquidity risk by monitoring forecast cash flow and ensuring that adequate borrowing facilities are maintained.

(3) Interest rate risk

The finance committee meets on a regular basis to analyse the interest rate exposure in the context of the most recent economic conditions and forecasts.

	2015 \$	2014 \$
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Note 14. Intangibles

Franchise fee:

- At cost	194,952	194,952
- Less accumulated amortisation	(103,975)	(64,985)
	90,977	129,967

Note 15. Payables

Current

Unsecured:

- Trade creditors	107,964	91,332
- Other creditors and accruals	403,826	59,571
Total current liabilities	511,790	150,903

Note 16. Tax liabilities

Current

Current tax liability/(refund)	64,383	(24,313)
GST payable	41,795	37,072
Amounts withheld from salary and wages	10,624	20,108
	116,802	32,867

Non-current

Deferred tax liability	70,166	70,166
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Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 17. Provisions		
Current		
Losses on procedural errors	-	28,300
Employee entitlements	67,689	54,089
	67,689	82,389
Non-current		
Employee entitlements	62,752	50,418
Aggregate employee entitlements liability	130,441	104,507
Number of employees at end of year	18	16

Note 18. 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 19. 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.	86,606	64,372
Western Industrial Workwear of which Mr Bruce Cahoon is the proprietor for advertising.	495	2,938

Note 20. Dividends

Paid final fully franked ordinary dividend of

1,403,164 @ 8 cents per share (2014: 1,403,164 @ 8 cents per share)	112,253	112,253
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Paid interim 2015 fully franked ordinary dividend of

1,403,164 @ 3 cents per share (2014 1,403,164 @ 3 cents per share)	42,095	42,095
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	154,348	154,348
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Note 21. Segment information

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

Notes to the financial statements (continued)

	2015 \$	2014 \$
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Note 22. 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	133,582	108,324
Term deposits	1,452,196	1,230,787
Cash on hand	1,468	2,826
	1,587,246	1,341,937

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

Activities to net profit

Operating profit after income tax	237,689	156,137
Depreciation	31,287	32,733
Amortisation of franchise fee	38,990	39,047
Loss on disposal of property, plant & equipment	18,269	-
Asset revaluation	-	-

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


(Increase) decrease in trade and term debtors	2,272	5,762
(Increase) decrease in prepayments	5,004	569
(Increase) decrease in sundry debtors	-	-
Increase (decrease) in trade creditors and accruals	9,776	(8,218)
Increase (decrease) in employee entitlements	25,936	(57,563)
Increase (decrease) in sundry provisions	(33,062)	52,019
Increase/(decrease) in deferred income tax	(7,780)	17,269
Increase/(decrease) in provision for income tax	88,696	30,929
Net cash provided by operating activities	417,077	268,684

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 2015 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 2015.

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



Denis Shanahan
Director



Michael Stephen Pernar
Director

Dated this 25 September 2015

Independent audit report

TOWARDS A VISION SHARED



ABN 15 893 818 045

127 Paisley Street
Footscray VIC 3011
Australia

Phone (03) 9680 1000
Fax (03) 9689 6605

www.collinsco.com.au

HOBSONS BAY COMMUNITY FINANCIAL SERVICES LTD
A.B.N. 39 091 661 166
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Report on the Financial Report

I have audited the accompanying financial report of Hobsons Bay Community Financial Services Ltd (the company), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and 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 and the Corporations Act 2001. This responsibility includes establishing 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

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan 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 disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 circumstances, 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Independent audit report (continued)

TOWARDS A VISION SHARED



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127 Paisley Street
Footscray VIC 3011
Australia

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Fax (03) 9689 6605

www.collinsco.com.au

Independence

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Hobsons Bay Community Financial Services Ltd would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion on the Financial Report

In my opinion:

the financial report of Hobsons Bay Community Financial Services Ltd is in accordance with the Corporations Act 2001, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance and cash flows for the year ended on 30 June 2015; and
- ii. complying with Australian Accounting Standards and the Corporations Act 2001.



Frederik Ryk Ludolf Eksteen CA
ASIC Auditor Registration Number 421448

Collins & Co
127 Paisley Street
FOOTSCRAY VIC 3011

Dated this 25th day of September 2015.

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NSX report

Hobsons 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	266	127,661
1,001 - 5,000	164	344,490
5,001 - 10,000	28	179,218
10,001 - 100,000	26	498,406
100,001 and over	2	253,389
Total	486	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 79 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. Tino Ballan	134,639	9.6
2. Altona Sports Club	118,750	8.4
3. Pelns Superannuation fund	56,250	4.0
4. Farlie Family Superannuation Fund	47,126	3.3
5. Donald John Hallam	31,875	2.3
6. Laverton Community Centre	28,219	2.0
7. The Waring Family Superannuation Fund	24,313	1.7
8. Richard E Thorne	21,033	1.5
9. Felicity Reid	20,625	1.5
10. Schembri Corporate Investments	20,000	1.4
	502,830	33.4

NSX report (continued)

Registered office & security register

From 3 August 2015, the registered office of the company is located at:

Suite 6, 161 Railway Avenue,
Laverton VIC 3028
Phone: (03) 9369 8081

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 Hobsons Bay Community Financial Services Ltd for 15 years. His qualifications and experience include a Diploma in Business and 18 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 Ryan.
- (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

	2011	2012	2013	2014	2015
	\$	\$	\$	\$	\$
Gross revenue	2,905,775	3,090,229	2,990,209	2,769,872	2,845,171
Net profit before tax	837,641	551,469	326,958	222,241	338,744
Total assets	2,912,738	3,133,949	3,113,115	2,942,071	3,467,868
Total liabilities	532,406	550,153	629,647	386,743	829,199
Total equity	2,380,332	2,583,796	2,483,468	2,555,328	2,638,669

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
Suite 6, 161 Railway Avenue, Laverton VIC 3028
Phone: 0430 430 824
ABN: 39 091 661 166

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