

Hobsons Bay Community Financial Services Limited

ABN 39 091 661 166

2018 Annual Report



Altona and Laverton **Community Bank®** branches
Point Cook Business Centre

Contents

Chairman's report	2
Corporate Governance Statement	4
Directors' report	5
Auditor's independence declaration	10
Financial statements	11
Notes to the financial statements	15
Directors' declaration	27
Independent audit report	28
Additional Annual Report information	30

Chairman's report

For year ending 30 June 2018

I am delighted to present the Annual Report of Hobsons Bay Community Financial Services Limited (HBCFSL) to our shareholders in this, our 18th year of operations.

This year marks the 20th anniversary of the establishment of the **Community Bank®** network. There are now over 300 **Community Bank®** branches nationally. It is exactly 20 years ago that we first began to plan for the establishment of our three sites.

We began with an idea that we can ensure the continuation of banking services for our local communities, but also ensure that a portion of what we earn is distributed back to the community. Our objective was and still remains one of working to maintain a socially vibrant and economically successful community. It is this that sets us apart from other major banks. It is this giving back to the community that our customers most associate with us.

The Altona and Laverton **Community Bank®** branches, and the recently reformulated Point Cook Business Centre, provide our communities with an opportunity to enhance control over the community's capital, ensuring more money stays in our local area for investment. The branches also provide the community with the certainty of banking services and enables locals to bank the way they want, whether that be face to face, electronically or over the phone.

As disclosed in last year's report, the Board made a decision to consolidate its Point Cook and Laverton **Community Bank®** branches into the one branch at Laverton while maintaining a presence in Point Cook with a service centre. Although significant costs were incurred while implementing this change, the Board is confident that the course of action we have put in place will continue to result in substantial cost savings for many years to come.

As mentioned above, your **Community Bank®** company was established as part of a national network of **Community Bank®** branches. **Community Bank®** branches operate on the values of trust, respect and goodwill. We take great pride in our ability to deliver exemplary customer service. The model upon which we operate is based on the principles of local investment, local ownership and local decision making. We have a strong commercial focus, but also a commitment to broad-based community benefit.

Over the past twelve months, our achievements in pursuit of the above principles include the following:

- Over \$401 million in accounts held across our three branches
- More than 18,100 accounts
- Over \$4.2 million returned to the community to date in projects, sponsorships, grants and dividends
- Over 50 sponsorships, donations and grants made to local community groups/associations
- Continued financial support for the Laverton Youth Foundation program
- Continuation of the KickStart Breakfast program in a local school
- Funding of the "Youth Foundation Behind Bars" project, in collaboration with other **Community Bank®** companies, providing kids in the Juvenile Justice system the opportunity to participate in a youth philanthropy program.

This is the third year of proudly supporting the Scholarship Program, which offers financial support to students enrolled to study VCE, VCAL or VET in 2017. The scholarship program assisted five motivated local students in purchasing items such as text books and calculators, paying the associated enrolment fees and purchasing other items needed to participate in their studies. We wish them all the best for their education and future career paths.

In June we also offered a "Rescue Scholarship". The aim of this scholarship program is to offer assistance to students who are struggling due to various circumstances so as to ensure they continue their 2018 school year. We are very pleased to be able to support four such students with items that were greatly needed and appreciated.

We continued our contribution to The Musical Futures program, which supports local schools with the provision of musical instruments. So far, we have assisted four local schools and we are in the process of supplying instruments to another three schools. The extraordinary result of supporting this program was showcased by the students themselves, who attended and performed at our 2017 AGM as well as various local festivals.

Chairman's report (continued)

The L2P Program was launched in Laverton last year with two cars paid for by the Altona and Laverton **Community Bank**[®] branches and the Point Cook Business Centre. One of the biggest obstacles for many learner drivers getting their "P" Plates is the mandatory 120 hours of driving practice. The L2P Program sets out to fix this problem by matching fully licensed volunteer mentors to these learner drivers.

Under this program, young drivers have access to professional lessons, a safe car and the support of a volunteer mentor driver while they gain vital on-road experience. Mentors are offered support by having access to training, petrol, insurance and the use of a vehicle for taking the learner on these crucial lessons.

As well as the cars provided by our **Community Bank**[®] company, this program is supported by both Hobsons Bay City Council and Wyndham City Council along with VicRoads, KIA Motors, Victoria Police, and the Laverton Community Integrated Services Inc.

Recently we partnered with Altona Rotary club to purchase a children's beach accessible wheelchair. This chair allows children with a disability to visit the local Altona beach and use the matting that is placed over the sand to access the water. Previously, only adult chairs were available. We see this as a wonderful community project helping all members of the community enjoy our beautiful stretch of beach in Altona.

We were also involved with the Point Cook Lunar Festival. The event celebrated the Year of the Dog and attracted close to 20,000 people. On show was an amazing range of talent and performing artists, food stalls and information areas for attendees. The day concluded with a wonderful fireworks display. This is only the second year of the festival, but it has already grown rapidly in this short period of time.

We were also part of the inaugural Battle of the Badges, which was held at the Melbourne Baseball Park. The Melbourne Fire Brigade took on Victoria Police in a baseball game. Due to the event's popularity it will also be held in 2019. Next year's event will include local football teams and other service providers. All funds raised during the day will go towards meeting the needs of domestic violence victims.

We continued to support our local communities with sponsorships, donations and grants, through our 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. In addition, our community support has extended to local community events and activities including:

- Point Cook Lunar Festival
- Point Cook Village Services
- Laverton Youth
- Altona Kindergarten
- Laverton Magpies Seniors Women's Team

On behalf of the Board, I thank our Managers, staff of our **Community Bank**[®] branches, administration and marketing staff. Whether it is working to meet the financial needs of our customers, working hard to promote the wonderful work of our **Community Bank**[®] company, or supporting the work of our volunteer Board, they each play a key role in ensuring our continued success.

I also recognise the important work of the Board of Directors, who represent a range of skills and professions and are brought together by a passion for making a difference to our local community. Their skills range from law and accounting to human resources and auditing. I thank all our volunteer Directors for their dedication and look forward to continuing to work with them over the coming months.

In conclusion, I extend a special thank you to all of our shareholders and customers for your ongoing support. If you're considering becoming a part of our great work and one of our valued customers, you can visit one of our friendly and welcoming branches and speak to our professional staff about how we might assist you. The support of our shareholders and customers is crucial to us, as we continue to strive to strengthen our local community through various projects and funding programs.

Yours sincerely,



Henry Da Silva
Chairman



Corporate Governance Statement

The Board is comprised entirely of non executive independent Directors. The skills, experience and composition of the Board is detailed in the Director's report. Details of the 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
- Business Growth

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 2018

The Directors present their report, together with the financial statements of the Hobsons Bay Community Financial Services Ltd for the year ended 30 June 2018.

Directors

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

H Da Silva	M S Pernar	A Hooper
J Gundran	E Driscoll	
G Ryan	M Serle	

Principal activities

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

Operating results

The net operating profit of the company before community grants, and taxation was \$528,723 (2017 \$188,535). The overall net profit of the company after payment of community grants, and taxation was \$359,646 (2017 \$132,515).

Dividends

Dividends paid or declared for payment are as follows:

Ordinary dividend paid on 24 November 2017, as recommended in last year's report	\$140,316
Ordinary 2018 interim dividend paid on 20 April 2018 of 4 cents per share	\$56,126
The Directors have recommended payment of a fully franked final dividend for 2018 of 8 cents per share	\$112,253

Review of operations

The net assets of the company have increased by \$163,204 from 1 July 2017 to \$3,101,619 as at 30 June 2018, while assets under management also increased, now exceeding \$401.6 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.

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.

Directors' report *(continued)*

Future developments

The company will continue to work towards its budget targets for its branches and business centre.

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 an estate agent with over 33 year's experience, a local businessman, property developer and owner and CEO 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 Ryan

Treasurer

Appointed Director on 25 November 2014. Grant has been Managing Director/Finance Director for 30 years. He has a Bachelor of Commerce CPA.

Mr J Gundran

Appointed Director on 24 November 2015. Jun has been a Financial Controller for over 10 years and has over 15 years' experience both in public and private accounting. He is a CPA and has a Bachelor Degree in Accounting.

Ms M F Serle

Appointed Director on 24 November 2015. Madeleine is a Corporate Lawyer in Financial Services with 20 years of practice. Madeline holds a Bachelor of Law from the University of Melbourne and a Masters in Law from Deakin University.

Ms E Driscoll

Appointed Director on 25 November 2014. Emma is a Chartered Member of the Australian Human Resources Institute and currently works for the State Government. She has also worked in Financial Services, Higher Education, Health, Sport and Manufacturing. She has numerous qualifications, including BBus (ECO), BA (Social Science), GDipED (Secondary), MEd (Lead).

Mr A Hooper

Appointed Director on 22 November 2016. Tony is a CPA with a Diploma in Management and has worked for over a decade from Audit to Financial Management for small companies and large not for profits. His career has taken a turn in the media sector, working as a Senior Executive. He has also been involved in a range of film projects, mostly in Melbourne. He is a local council member and is involved in a range of activities in the local area.

Directors' report *(continued)*

Information on Directors (continued)

The Directors and their associates have the following shares in the company as at the 30 June 2018:

Director	Associates	Total
Henry Da Silva	3,939	3,939
Anthony Hooper	2,250	2,250
Michael Pernar	1,399	1,399
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	9
Mr M S Pernar (Secretary)	11	11
Mr G Ryan (Treasurer)	11	10
Mr A Hooper	11	9
Mr J Gundran	11	11
Ms EJ Driscoll	11	8
Ms M F Serle	11	10

Portfolio meetings

	Audit & Corporate Governance	Finance & Asset Management	Community Engagement	Human Resources	Building & Investments Subcommittee	Growth
Total Meetings held	11	11	11	11	2	1
Henry Da Silva	7	7	2	10	1	1
Michael Pernar	9		9		1	
Madeleine Serle	5			9		
Grant Ryan	11	11			2	
Jun Gundran	1	11				1
Emma Driscoll				10		
A Hooper			10			

Directors' report (continued)

Remuneration report

Total remuneration of Directors

	2018	2017
Henry Da Silva	\$6,837.00	\$6,512.00
Michael Pernar	\$5,131.00	\$4,887.00
Grant Ryan	\$5,131.00	\$4,887.00
Emma Driscoll	\$5,131.00	\$4,887.00
Madeleine Serle	\$3,421.00	\$3,258.00
Jun Gundran	\$3,421.00	\$3,258.00
A Hooper	\$5,131.00	\$3,007.00

The Chairman was paid \$6,837, the Company Secretary \$5,131 and Treasurer \$5,131. 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

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 Bank. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Directors' and Auditors' insurance and indemnification

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

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

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

Audit services

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

Directors' report *(continued)*

Auditor's independence declaration

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

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



Henry Da Silva
Director



Michael Stephen Pernar
Director

Dated 12 September 2018

Auditor's independence declaration

TOWARDS A VISION SHARED



Collins & Co

CERTIFIED PRACTISING ACCOUNTANTS

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 2018 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 13th day of September 2018

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenues from ordinary activities	2	2,670,643	2,755,450
Amortisation of franchise fee	3	(23,068)	(43,610)
Depreciation of furniture & equipment	3	(19,385)	(24,671)
Employment expenses	3	(1,270,885)	(1,323,579)
Community development expenses		(118,272)	(71,394)
Restructure of Point Cook		-	(294,293)
Other expenses from ordinary activities		(743,689)	(811,168)
Total expenses from ordinary activities		(2,175,299)	(2,568,715)
Profit from ordinary activities before income tax		495,344	186,735
Income tax (expenses) relating to ordinary activities	5	(135,698)	(54,220)
Profit from ordinary activities after income tax		359,646	132,515
Profit/(loss) attributable to extraordinary items		-	-
		359,646	132,515
Other comprehensive income		-	-
Net profit attributable to members of the company		359,646	132,515
Earnings per share			
Basic & diluted earnings per share (cents per share)	11	25.63	9.44

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 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash assets	6	1,723,581	1,537,948
Receivables	7	234,462	254,262
Other	8	10,228	11,181
Total current assets		1,968,271	1,803,391
Non-current assets			
Property, furniture and equipment	9	1,518,112	1,526,812
Deferred tax asset	12	24,694	39,980
Intangible assets	14	95,494	8,376
Total non-current assets		1,638,300	1,575,168
Total assets		3,606,571	3,378,559
Current liabilities			
Payables	15	137,804	113,248
Tax liabilities	16	126,405	30,567
Provisions	17	85,755	139,890
Total current liabilities		349,964	283,705
Non-current liabilities			
Provisions	17	4,044	5,495
Tax liabilities	16	150,944	150,944
Total non-current liabilities		154,988	156,439
Total liabilities		504,952	440,144
Net assets		3,101,619	2,938,415
Equity			
Issued capital	18	1,130,008	1,130,008
Retained profits/(accumulated losses)		1,573,668	1,410,464
Revaluation reserve		397,943	397,943
Total equity		3,101,619	2,938,415

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 2018

	Issued Capital \$	Revaluation Reserve \$	Retained Profits (Accumulated Losses) \$	Total \$
Balance 1 July 2016	1,130,008	163,721	1,390,202	2,683,931
Dividend paid during year			(112,253)	(112,253)
Profit Attributable to members of the company			132,515	132,515
Revaluation Increment		234,222		234,222
Balance 30 June 2017	1,130,008	397,943	1,410,464	2,938,415
Dividends paid during year			(196,442)	(196,442)
Profit Attributable to members of the company			359,646	359,646
Revaluation Increment				-
Balance 30 June 2018	1,130,008	397,943	1,573,668	3,101,619

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 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from Bendigo and Adelaide Bank Limited		2,853,388	2,931,354
Payments to suppliers and employees		(2,068,223)	(2,256,305)
Interest received		40,732	38,776
Interest and other costs of finance		-	-
Income tax paid		(324,936)	(322,315)
Net cash provided by (used in) operating activities	22B	500,961	391,510
Cash flows from investing activities			
Purchases of property, plant & equipment		(8,700)	(28,149)
Payment of franchise fees		(110,186)	-
Net cash provided by (used in) investing activities		(118,886)	(28,149)
Cash flows from financing activities			
Dividends paid		(196,442)	(112,253)
Repayment of borrowings		-	-
Net cash provided by (used in) financing activities		(196,442)	(112,253)
Net increase (decrease) in cash held		185,633	251,108
Cash at the beginning of the year		1,537,948	1,286,840
Cash at the end of the year	22A	1,723,581	1,537,948

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 2018

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 8 March 2017, 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.

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 (continued)

Note 1. Statement of accounting policies (continued)

(j) Cash and cash equivalents

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.

	2018 \$	2017 \$
Note 2. Revenue		
Operating activities:		
Franchise income	2,629,911	2,716,674
Interest revenue	40,732	38,776
Other income	-	-
Total revenue from ordinary activities	2,670,643	2,755,450

Notes to the financial statements (continued)

	2018 \$	2017 \$
--	------------	------------

Note 3. Expenses

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

Amortisation of non-current assets:

- Franchise fee	23,068	43,610
Total amortisation expenses	23,068	43,610

Bad and doubtful debts	3,539	7,166
------------------------	-------	-------

Depreciation of non-current assets:

- Plant and equipment	19,385	24,671
-----------------------	--------	--------

Employment expenses	1,270,885	1,323,579
---------------------	-----------	-----------

Note 4. Auditors' remuneration

Remuneration of the auditor of the company for:

Audit services	10,100	10,400
Other services	nil	nil
	10,100	10,400

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	495,344	186,735
Prima facie income tax payable on operating profit @ 27.5%	136,219	51,352
Add:		
Tax effect of:		
Capital works deduction	(521)	(521)
Impact of change in company tax rate	-	3,389
Income tax expense/(revenue) attributable to ordinary activities	135,698	54,220

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 6. Cash assets		
- Cash at bank	374,908	224,689
- Term deposits	1,343,677	1,309,899
- Cash on hand	4,996	3,360
	1,723,581	1,537,948

Note 7. Receivables

Current

Trade debtors	234,462	254,262
----------------------	----------------	----------------

Note 8. Other assets

Current

Sundry debtors	-	-
Prepayments	10,228	11,181
	10,228	11,181

Note 9. Property, furniture and equipment

Land and buildings:

- Valued at fair value	915,000	915,000
	915,000	915,000

Plant and equipment:

- At cost	749,034	738,349
- Less accumulated depreciation	(145,922)	(126,537)
	603,112	611,812

Leased plant and equipment:

- At cost	15,615	15,615
- Less accumulated amortisation	(15,615)	(15,615)
	-	-
	1,518,112	1,526,812

Notes to the financial statements (continued)

Note 9. Property, furniture and equipment (continued)

Movements in carrying amounts

	L & B \$000	Plant & Equip \$000	Total \$000
Balance at 1 July 2016	600	822	1,422
Additions		28	28
Disposals		(213)	(213)
Revaluation increment	315		315
Depreciation expense		(25)	(25)
Balance at 30 June 2017	915	612	1,527
Additions		10	10
Disposals		-	-
Revaluation increment			
Depreciation expense		(19)	(19)
Balance at 30 June 2018	915	603	1,518

	2018 \$	2017 \$
--	--------------------	--------------------

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	264,704	311,933
between 12 months and 5 years	-	-
greater than five years	-	-

Note 11. Earnings per share

Earnings used to calculate basic EPS	359,646	132,515
Number of ordinary shares used to calculate basic EPS	1,403,164	1,403,164

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 12. Deferred tax assets		
Deferred tax asset	24,694	39,980
The deferred tax asset is made up of the		
following estimated tax benefits:		
- temporary differences between tax & accounting income.	24,694	39,980
	24,694	39,980

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 2018.

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	1,723,581	1,537,948
Receivables	Note 7	234,462	254,262
		1,958,043	1,792,210

Financial liabilities

Trade and other payables	Note 15	137,804	113,248
		137,804	113,248

(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.

(11) Liquidity risk

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

(111) 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.

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 14. Intangibles		
Franchise fee:		
- At cost	110,186	194,952
- Less accumulated amortisation	(14,692)	(186,576)
	95,494	8,376

Note 15. Payables

Current

Unsecured:

- Trade creditors	75,573	52,013
- Other creditors and accruals	62,231	61,235
Total current liabilities	137,804	113,248

Note 16. Tax liabilities

Current

Current tax liability/(refund)	62,674	(35,696)
GST payable	49,053	56,207
Amounts withheld from salary and wages	14,678	10,056
	126,405	30,567

Non-Current

Deferred tax liability	150,944	150,944
-------------------------------	----------------	----------------

Note 17. Provisions

Current

Employee entitlements	85,755	139,890
	85,755	139,890

Non-current

Employee entitlements	4,044	5,495
Aggregate employee entitlements liability	89,799	145,385
Number of employees at end of year	14	16

Notes to the financial statements (continued)

	2018 \$	2017 \$
--	------------	------------

Note 18. 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 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.	101,111	64,372
---	---------	--------

Note 20. Dividends

Paid final fully franked ordinary dividend of 1,403,164 @ 10 cents per share (2017: 1,403,164 @ 8 cents per share)	140,316	112,253
Interim 2018 fully franked ordinary dividend of 4 cents per share declared	56,126	-
	196,442	112,253

Note 21. Segment information

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

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	374,908	224,689
Term deposits	1,343,677	1,309,899
Cash on hand	4,996	3,360
	1,723,581	1,537,948

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 22. Cash flow information (continued)		
B) Reconciliation of net cash provided by/used in operating		
Activities to net profit		
Operating profit after income tax	359,646	132,515
Depreciation	19,385	24,671
Amortisation of franchise fee	23,068	43,610
Loss on disposal of property, plant & equipment	-	213,443
Asset revaluation	-	-
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	19,800	(12,327)
(Increase) decrease in prepayments	953	566
Increase (decrease) in trade creditors and accruals	24,556	(20,514)
Increase (decrease) in employee entitlements	(55,586)	9,830
Increase (decrease) in sundry provisions	(2,532)	35,464
Increase/(decrease) in deferred income tax	15,286	686
Increase/(decrease) in provision for income tax	96,385	(36,434)
Net cash provided by operating activities	500,961	391,510

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 2018 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 2018.

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



Henry Da Silva
Director



Michael Stephen Pernar
Director

Dated 12 September 2018

Independent audit report

TOWARDS A VISION SHARED



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**

Audit Opinion

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 2018, 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.

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 2018 and of its performance and cash flows for the year ended on 30 June 2018; and
- ii. complying with Australian Accounting Standards and the Corporations Act 2001.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled our other ethical responsibilities in accordance with the Code.

I confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company would be on the same terms if given to the directors as at the time of this auditor's report.

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

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Independent audit report (continued)

TOWARDS A VISION SHARED



127 Paisley Street
Footscray VIC 3011
Australia

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

www.collinsco.com.au

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 registered entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the responsible entities.
- Conclude on the appropriateness of the responsible entities use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the registered entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that I identify during my audit.

Frederik Ryk Ludolf Eksteen CA
ASIC Auditor Registration Number 421448

Dated this 13th day of September 2018

127 Paisley Street
FOOTSCRAY VIC 3011

Additional Annual Report information

Hobsons Bay Community Financial Services Ltd. 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	262	123,313
1,001 - 5,000	156	327,862
5,001 - 10,000	25	182,012
10,001 - 100,000	27	511,668
100,001 and over	2	258,309
Total	472	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 115 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	139,559	9.9
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
	507,750	36.1

Additional Annual Report information *(continued)*

Registered office and Security register

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

Company Secretary

Michael Pernar has been the Company Secretary of Hobsons Bay Community Financial Services Ltd for 18 years. His qualifications and experience include a Diploma in Business and 21 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, G Ryan and M Serle.
- (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.

Five year summary of performance

	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$
Gross revenue	2,769,872	2,845,171	2,820,953	2,755,450	2,670,643
Net profit before tax	222,241	338,744	304,391	186,735	495,344
Total assets	2,942,071	3,467,868	3,054,951	3,378,559	3,606,571
Total liabilities	386,743	829,199	371,020	440,144	504,952
Total equity	2,555,328	2,638,669	2,683,931	2,938,415	3,101,619

Altona **Community Bank**[®] Branch
64 Pier Street, Altona VIC 3018
Phone: (03) 9398 8922
www.bendigobank.com.au/altona

Laverton **Community Bank**[®] Branch
Shop 3, 28 Aviation Road, Laverton VIC 3028
Phone: (03) 9369 8455
www.bendigobank.com.au/laverton

Point Cook Business Centre
Proudly supported by Altona and Laverton **Community Bank**[®] branches
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: (03) 9369 8081 Mobile: 0430 430 824
ABN: 39 091 661 166

www.hobsonsbaycfs.com.au
www.facebook.com/AltonaLavertonPointCookCommunityBankBranches

(BNPAR18001) (09/18)



bendigobank.com.au

