



Hastings & District Community
Enterprises Ltd
ABN 129 333 044

Hastings & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2009

It gives me great pleasure to report to shareholders, on behalf of the Board, on Company performance for the year ending 30 June 2009, this being the first year of trading of our Company.

It certainly has been an exciting year with all the hopes and aspirations for a **Community Bank**[®] branch in Hastings coming to fruition. Having completed all the feasibility, survey and prospectus programs, it was most exciting when we opened the doors for trading, only 16 months after the first public meeting.

Trading for the year has been brisk with total banking business increasing in line with our budgets. However, along with many others and in particular every financial institution, we were not immune to the effects of the Global Financial Crisis. Due to this financial disease, the return on our banking business during the period September to May was well below budget. Since May we have returned to normal budgeted returns on total banking business and the improvement will be noticed in next years trading statements. The resultant effect of the crisis was higher losses than anticipated, as shown in the accompanying financial statements.

However, the financial results for the first three months of this year show that we are on target to show a monthly profit in line with our prospectus predictions. Also, the early indications are that our budgets for 2009/2010 are sound and achievable, with many local businesses and citizens transferring their banking business. To achieve the desired results we do need a continuance of this trend and I look forward to reporting on our business growth at this time next year.

We continue to utilise our Market Development Fund for the benefit of the community and to this date we have contributed grants and sponsorships to the extent of \$16,000. This is all because of our **Community Bank**[®] branch.

To our wonderful branch staff, lead by our Manager, Christine Trembath, thank you for your help and assistance during this our formative year. It is always a joy to enter our branch and be welcomed by the smiling faces of our staff. Reports coming back to us indicate that customers certainly feel the same way. Thank you again.

To you our shareholders, we sincerely thank you for your support. Without your support we simply would not be here.

To our Board of Directors and our Company Secretary, my sincere thanks for your dedicated service to our community. History will show that all your efforts were well worthwhile.



Vic Rodwell
Chairman

Manager's report

For year ending 30 June 2009

In our first year of operation we are delighted with the support we have received from the local community, but we would like more! I say this because even though we have to this date contributed more than \$15,000 to local clubs and organisations, we are anxious to make this even larger and the more support we receive, the more money we are able to give back to the community.

Within our branch we are aiming to increase our customer numbers and specifically, we are keen to lend more money! The global financial crisis which the world has experienced in one form or another, meant that many people tightened their position and often thought that the banks were not lending. Certainly in our situation, that is not the case and we welcome new customers to come in and give us the opportunity to fulfil their lending requirements.

We offer the full range of banking products and services and have Business Bankers ready and available for appointments any time.

I wish to thank everyone connected with our Hastings **Community Bank**[®] Branch from our dedicated Board members, our enthusiastic staff, of course our shareholders and to the wider community who we are ultimately here for.

We are delighted to be part of the wonderful Hastings & District community and we are determined to make sure we look after the community that is supporting us.



Christine Trembath
Branch Manager

Directors' report

For year ending 30 June 2009

Your Directors submit their report of the Company for the financial period ended 30 June 2009.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial period are:

Dyane Angela Bain

Director
Manager Hastings Community House Inc

Leonard Alexander Butcher JP

Company Secretary
Retired
Resigned 23 December 2008

Lisa Jane Dixon

Director
Retail Business Owner

David Gerrard Gibbs

Director
Lawyer

Kenneth Raymond Ingersoll

Director
Retired

Mathew Lawrence Jenkins

Director
Restaurant Owner
Resigned 25 March 2009

Desmond George Kissick

Director
Dealer Principal

Cameron Peter McCullough

Director
Newsagent/Publisher

Brian Leonard Stahl OAM, JP

Director
Retired

Victor Charles Rodwell

Chairman
Retired

Lyle Francis Ridout

Director
Retailer
Resigned 16 July 2008

John Crough

Director
Retired
Appointed 25 February 2009

Alfred Tallon

Director
Real Estate Agent
Appointed 25 February 2009

Benjamin Tallon

Director
Real Estate Agent
Appointed 25 February 2009

Directors were in office for this entire period unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Directors' report continued

Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

There has been no significant changes in the nature of these activities during the period.

Operating results

Operations have performed in line with expectations. The profit/(loss) of the Company for the financial period after provision for income tax was (\$367,630).

Dividends

The Directors recommend that no dividend be paid for the current period.

Significant changes in the 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 financial period under review not otherwise disclosed in this report.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial period that have 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 future years.

Likely developments

The Company will continue its policy of providing banking services to the community.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors' meetings

The number of Directors' meetings attended by each of the Directors of the Company during the period were:

Number of meetings held:	13
<hr/>	
Number of meetings attended:	
<hr/>	
Dyane Angela Bain	9
<hr/>	
Leonard Alexander Butcher JP (resigned 23 December 2008)	13
<hr/>	
Lisa Jane Dixon	10
<hr/>	
David Gerrard Gibbs	4
<hr/>	
Kenneth Raymond Ingersoll	13
<hr/>	
Mathew Lawrence Jenkins (resigned 25 March 2009)	6
<hr/>	
Desmond George Kissick	11
<hr/>	
Cameron Peter McCullough	8
<hr/>	
Lyle Francis Ridout (resigned 16 July 2008)	0
<hr/>	
Victor Charles Rodwell	10
<hr/>	
Brian Leonard Stahl OAM, JP	9
<hr/>	
John Crough (appointed 25 February 2009)	0
<hr/>	
Alfred Tallon (appointed 25 February 2009)	2
<hr/>	
Benjamin Tallon (appointed 25 February 2009)	1
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Company Secretary

Leonard Alexander Butcher JP has been the Company Secretary of Hastings & District Community Enterprises Ltd since 2008. His qualifications and experience include being a member of the Australian Defence Force (Army) for 22 years, Property and Purchasing Manager of a major Health Fund for 11 years and Staff Member of the Country Fire Authority for 10 years. He has an extensive history of community involvement.

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 David Gibbs, Dyane Bain, Kenneth Ingersoll, Pam Ford and Leonard Butcher.
- (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.

Directors' report continued

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

25 September 2009

The Directors
Hastings & District Community Enterprises Ltd
88 High St
HASTINGS VIC 3814

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Hastings & District Community Enterprises Limited for the period ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Hasting on 25 September 2009.



Victor Charles Rodwell
Chairman

Financial statements

Income statement For year ending 30 June 2009

	Note	2009 \$
Revenue from ordinary activities	2	153,787
Employee benefits expense	3	(284,270)
Charitable donations and sponsorship		(13,491)
Depreciation and amortisation expense	3	(46,928)
Finance costs	3	(134)
Other expenses from ordinary activities		(290,425)
Profit/(loss) before income tax expense		(481,461)
Income tax expense / (benefit)	4	(113,831)
Profit/(loss) after income tax expense		(367,630)
Earnings per share (cents per share)		
- basic for profit / (loss) for the period	22	(47.03)
- diluted for profit / (loss) for the period	22	(47.03)
- dividends paid per share	21	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

	Note	2009 \$
Current assets		
Cash assets	6	4,391
Receivables	7	26,596
Total current assets		30,987
Non-current assets		
Property, plant and equipment	8	270,266
Deferred income tax asset	4	113,831
Intangible assets	9	15,807
Total non-current assets		399,904
Total assets		430,891
Current liabilities		
Payables	10	26,225
Provisions	11	2,398
Total current liabilities		28,623
Total liabilities		28,623
Net assets		402,268
Equity		
Share capital	12	769,898
Retained earnings / (accumulated losses)	13	(367,630)
Total equity		402,268

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$
Cash flows from operating activities		
Cash receipts in the course of operations		137,734
Cash payments in the course of operations		(575,144)
Interest received		4,904
Net cash flows from/(used in) operating activities	14b	(432,506)
Cash flows from investing activities		
Payment for intangible assets		(20,409)
Payments for property, plant and equipment		(312,592)
Net cash flows from/(used in) investing activities		(333,001)
Cash flows from financing activities		
Proceeds from issue of shares		781,762
Equity raising costs		(11,864)
Net cash flows from/(used in) financing activities		769,898
Net increase/(decrease) in cash held		4,391
Add opening cash brought forward		-
Closing cash carried forward	14a	4,391

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	Note	2009 \$
Share capital		
Ordinary shares		
Balance at start of period		-
Issue of share capital		781,762
share issue costs		(11,864)
Balance at end of period		769,898
Retained earnings / (accumulated losses)		
Balance at start of period		-
Profit/(loss) after income tax expense		(367,630)
Dividends paid		-
Balance at end of period		(367,630)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 25 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Plant & equipment	13.33 - 30%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement 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.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparative figures

The entity commenced operations during the period, hence there are no comparative figures.

2009
\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	48,488
- other revenue	100,395
Total revenue from operating activities	148,883

Notes to the financial statements continued

	2009 \$
Note 2. Revenue from ordinary activities (continued)	
Non-operating activities:	
- interest received	4,904
- other revenue	-
Total revenue from non-operating activities	4,904
Total revenue from ordinary activities	153,787

Note 3. Expenses

Employee benefits expense	
- wages and salaries	223,754
- superannuation costs	21,623
- workers' compensation costs	1,261
- other costs	37,632
	284,270
Depreciation of non-current assets:	
- plant and equipment	42,326
Amortisation of non-current assets:	
- intangibles	4,602
	46,928
Finance costs:	
- Interest paid	134
Bad debts	417

Notes to the financial statements continued

2009
\$

Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	(144,438)
Add tax effect of:	
- Non-deductible expenses	30,607
Current income tax expense / (benefit)	(113,831)
Income tax expense / (benefit)	(113,831)
Deferred income tax asset	
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	113,831

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	2,700
- Completion of feasibility study	6,000
- share registry services	1,800
- Accounting work for prospectus	2,500
	13,000

Note 6. Cash assets

Cash at bank and on hand	4,391
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Note 7. Receivables

GST receivable	1,042
Trade debtors	25,554
	26,596

Notes to the financial statements continued

2009
\$

Note 8. Property, plant and equipment

Plant and equipment

At cost	312,592
Less accumulated depreciation	(42,326)
	270,266
Total written down amount	270,266

Movements in carrying amounts

Plant and equipment

Carrying amount at beginning of period	-
Additions	312,592
Disposals	-
Depreciation expense	(42,326)
Carrying amount at end of period	270,266

Note 9. Intangible assets

Franchise fee

At cost	10,000
Less accumulated amortisation	(2,000)
	8,000

Preliminary expenses

At cost	10,409
Less accumulated amortisation	(2,602)
	7,807
	15,807

Note 10. Payables

Trade creditors	16,744
Other creditors and accruals	9,481
	26,225

Notes to the financial statements continued

	2009 \$
Note 11. Provisions	
Employee benefits	2,398
Number of employees at period end	4

Note 12. Share capital

781,762 Ordinary shares fully paid of \$1 each	781,762
Less: Equity raising costs	(11,864)
	769,898

Note 13. Retained earnings/(accumulated losses)

Balance at the beginning of the financial period	-
Profit/(loss) after income tax	(367,630)
Dividends	-
Balance at the end of the financial period	(367,630)

Note 14. Cash flow statement

(a) Reconciliation of cash

Cash assets	4,391
	4,391

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	(367,630)
Non cash items	
- Depreciation	42,326
- Amortisation	4,602

Notes to the financial statements continued

	2009
	\$
Note 14. Cash flow statement (continued)	
Changes in assets and liabilities	
- (Increase) decrease in receivables	(26,596)
- (Increase) decrease in deferred tax asset	(113,831)
- Increase (decrease) in payables	26,225
- Increase (decrease) in provisions	2,398
Net cash flows from/(used in) operating activities	(432,506)

Note 15. Director and related party disclosures

The names of Directors who have held office during the financial period are:

Dyane Angela Bain

Leonard Alexander Butcher JP (resigned 23 December 2008)

Lisa Jane Dixon

David Gerrard Gibbs

Kenneth Raymond Ingersoll

Mathew Lawrence Jenkins (resigned 25 March 2009)

Desmond George Kissick

Cameron Peter McCullough

Lyle Francis Ridout (resigned 16 July 2008)

Victor Charles Rodwell

Brian Leonard Stahl OAM, JP

John Crough (appointed 25 February 2009)

Alfred Tallon (appointed 25 February 2009)

Benjamin Tallon (appointed 25 February 2009)

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2009
Dyane Angela Bain	5,001
Leonard Alexander Butcher JP (resigned 23 December 2008)	20,501
Lisa Jane Dixon	2,501
David Gerrard Gibbs	55,001
Kenneth Raymond Ingersoll	21,001
Mathew Lawrence Jenkins (resigned 25 March 2009)	1
Desmond George Kissick	12,001
Cameron Peter McCullough	5,001
Lyle Francis Ridout (resigned 16 July 2008)	2,001
Victor Charles Rodwell	50,001
Brian Leonard Stahl OAM, JP	2,001
John Crough (appointed 25 February 2009)	-
Alfred Tallon (appointed 25 February 2009)	20,000
Benjamin Tallon (appointed 25 February 2009)	-

All shares were purchased during the period. Each share held has a paid up value of \$1 and is fully paid.

Note 16. Subsequent events

There have been no events after the end of the financial period that would materially affect the financial statements.

Note 17. Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Hastings, Victoria.

Notes to the financial statements continued

Note 19. Corporate information

Hastings & District Community Enterprises Ltd is a Company limited by shares incorporated in Australia.

The registered office is: 2 High Street,
Hastings VIC 3915

The principal place of business is: 88 High Street,
Hastings VIC 3915

Note 20. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current period.

2009
\$

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	(367,630)
-----------------------------------------------	------------------

Weighted average number of ordinary shares for basic and diluted earnings per share	781,762
--------------------------------------------------------------------------------------------	----------------

Note 22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount 2009 \$
Cash assets	4,391
Receivables	26,596
	30,987

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2009					
Payables	26,225	(26,225)	(26,225)	-	-
Interest bearing liabilities	-	-	-	-	-
	26,225	(26,225)	(26,225)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2009 \$
Fixed rate instruments	
Financial assets	-
Financial liabilities	-
	-
Variable rate instruments	
Financial assets	4,391
Financial liabilities	-
	4,391

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. This assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the period ended 30 June 2009 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the period.

Directors' declaration

In accordance with a resolution of the Directors of Hastings & District Community Enterprises Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are 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 2009 and of their performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Victor Charles Rodwell
Chairman

Signed at Hasting on 25 September 2009.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HASTINGS & DISTRICT COMMUNITY ENTERPRISES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Hastings & District Community Enterprises Limited, for the period ended 30 June 2009.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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Independent audit report continued

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Hastings & District Community Enterprises Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 25 September 2009

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