annual report | 2009

Agnes Water/1770
Community Enterprises Limited
ABN 46 123 046 677

Agnes Water/1770 **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2009

The year has seen the Agnes Water/1770 **Community Bank**® Branch celebrate its first birthday, completing its first full year of trading since opening in June 2008.

The past twelve months, and the impact from the global economic downturn has presented its challenges to our small community, whose primary economy is based on tourism. However, the Agnes Water/1770 **Community Bank**® Branch has achieved a very credible result.

From the business point of view, at the writing of this letter, our branch has a holding of deposits and loans to the order of $15.7 million dollars. While our deposits were comparatively high for the year, our lending figures were well below the budget targets. And whilst business volume achieved was only half of that expected, revenue was almost exactly as forecast and the operating loss was substantially less (only 51%) of prospectus forecast.

Total expenses in the first year were also very much lower (only 66%) of prospectus forecast. This was due to the Agnes Water/1770 **Community Bank**® Branch ending up with a much lower cost structure than expected. This was driven primarily from lack of commercial space in Agnes Water, and Bendigo Bank helped the Company achieve an excellent, low-cost fit out in a less than optimal space.

With a lower operating loss than expected, the Company ended the year in a sound financial position.

As the low cost structure of the business will be maintained going forward, it means that a lower business volume will be needed to achieve profitability and provided business continues to build at its current rate, the Board believes the Company is on track to achieve profitability within the next two years, as planned.

Over the last twelve months, we have also honoured our obligation and commitment to the community by way of worthwhile investments in sponsorships and donations to the tune of $7,000 back into our community.

The Board acknowledges the wonderful performance of all the branch staff who continue to provide a very professional and friendly service to all of their customers as well as giving much of their own time to support local community events.

None of this is possible without a Branch Manager and staff that are committed to the concept and the integrity of **Community Bank**® philosophy. To Penne Millar, Diane Nelson, Moira Dorwood, Shiree Frost and Jane Turner, congratulations and thank you for your outstanding contribution to our success this year.

The task of serving as a volunteer Director takes a special commitment and involves personal sacrifice on behalf of the Company and the community.

Chairman's report continued

I'd like to encourage our shareholders to bring their banking business across to the Agnes Water/1770 **Community Bank**® Branch. While your shareholding is a great support we also need you to bank with us, if you do we will be able to pay profits and return money to the local community faster.

We look forward to an exciting year for Agnes Water/1770 **Community Bank**® Branch and can achieve our goals in the next year with the combined efforts of the Board, the staff, Bendigo Bank and the support of shareholders and customers.

Sam Skippen

Chairman

Manager's report

For year ending 30 June 2009

After achieving our first year of branch operations, it is with pleasure that I present my report to you, our **Community Bank**® Board and Shareholders.

For those of you who have recently received our Inaugural Newsletter, you will be aware of some of our achievements during this first year of operation.

At close of business 30 June 2009, a total of 808 accounts were held with a total book value of $15.6 million. A very pleasing result of growth in deposits and new accounts, the book remains fairly evenly balanced between deposit and loan accounts.

Throughout the 2008/2009 financial year the development of our staff has been one of our major priorities. Our team has embraced their community customer focus and we now have achieved the solid basis on which to further build our community investments. I am excited to be leading our dedicated team in Dianne, Shiree, Moira and Jane into our next phase of contribution to our community growth.

In the coming 12 months we commit to you our consistent efforts in finding innovative and relevant options for our community to benefit from.

We will host a community evening with invitations to a broad section of our local community to come and join together, with the purpose of identifying desired community projects for reinvesting our profits once we become profitable. This promises to be a rewarding focus into our future.

We will host a not for profit celebration evening with our entire local not for profit community groups invited to come together to celebrate their volunteer efforts with the pride they so deserve in their community involvement.

I would like to thank sincerely all of our Community Enterprise Board members, some of whom have now given their voluntary services to our **Community Bank**® branch for in excess of 4 years. The support that our Board has offered has enabled our growth throughout a most turbulent global financial year.

This year I would like to encourage all of our Agnes Water/1770 Community Enterprise shareholders and community members to come and explore the range of full banking facilities and services that we offer. Together investing into our community we can work to build a strong, resilient and proud community.

Penne Millar

Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank®** branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank®** branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank®** branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – $29 million paid out in community projects and nearly $11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects… the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

Community Bank® branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.

Russell Jenkins
Chief General Manager

Directors' report

For year ending 30 June 2009

Your Directors submit their report of the Company for the financial year 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 Year:

Samantha Jane Skippen
Chairman
Age: 41

Business Owner

Interests in shares: 20,001

John Charles Cook
Secretary
Age: 51

Power Station Operator

Interests in shares: 5,001

Dr Peter John Hoffmann
Treasurer/Deputy Chairman
Age: 62

Investment Advisor

Interests in shares: 62,002

Glen Douglas Smart
Director
Age: 67

Business Owner

Interests in shares: 10,001

Sheryl Anne Valentine
Director (Appointed 21 July 2008)
Age: 58

Business Proprietor

Interests in shares: 43,500

Rachel Narelle Campbell
Director (Appointed 26 November 2008)
Age: 33

Town Planner

Interests in shares: 10,000

Renate Anna Konrad
Director (Appointed 9 June 2009)
Age: 56

Investor

Interests in shares: 15,000

Karen Evelyn Wilkinson-Thompson
Director (Appointed 16 June 2009)
Age: 56

Retired School Principal

Interests in shares: 10,000

Christine Olwyn Devine
Director (Appointed 26 November 2008, Resigned 20 April 2009)

Interests in shares: 0

Frederick Donald Moore
Director (Resigned 21 July 2008)
Interests in shares: 2,001

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

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

Directors' report continued

Company Secretary

The Company Secretary is John Charles Cook. John was appointed to the position of Secretary on 8 December 2006. John has worked in the Power industry for over 30 years. Educated in Brisbane John started an Electrical apprenticeship there with the Southern Electrical Authority of Queensland in 1976. While working as an Electrician at Tennyson Power Station John trained in the operation of boilers and turbines. With certification and the imminent closure of the Station he transferred in 1984 to Gladstone Power Station as a Power Station Operator. Since moving to Gladstone he has been a regular visitor to Agnes Water/1770 and in 2002 bought an apartment where he now resides. The shiftwork nature of his job allows him to live in Agnes Water and work in Gladstone. John became a Justice of the Peace in 1991 and a Justice of the Peace Qualified in 1994.

Principal activities

The principal activities of the Company during the course of the Financial Year were in facilitating **Community Bank**® services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. The loss by the Company for the Financial Year after provision for income tax was:

	Year ended 30 June 2009 $	Year ended 30 June 2008 $
	(188,882)	(98,772)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 Year under review not otherwise disclosed in this report or the Financial Report.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year 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 facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors’ report continued

Directors’ benefits

No Director has received or become entitled to receive, during or since the financial year, 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 Manager 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.

Remuneration report

No Director of the Company receives remuneration for services as a Company Director or Committee Member.

There are no Executives within the Company whose remuneration is required to be disclosed.

Directors’ meetings

The number of Directors’ meetings attended by each of the Directors of the Company during the year were:

	Number of meetings eligible to attend	**Number attended**
Samantha Jane Skippen	12	8
John Charles Cook	12	7
Dr Peter John Hoffmann	12	11
Glen Douglas Smart	12	10
Sheryl Anne Valentine (Appointed 21 July 2008)	12	11
Rachel Narelle Campbell (Appointed 26 November 2008)	7	6
Renate Anna Konrad (Appointed 9 June 2009)	1	1
Karen Evelyn Wilkinson-Thompson (Appointed 16 June 2009)	1	1
Frederick Donald Moore (Resigned 21 July 2008)	1	-
Christine Olwyn Devine (Appointed 26 November 2008, Resigned 20 April 2009)	4	3

Non audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors at Agnes Water, Queensland on 11 September 2009.

Samantha Jane Skippen, Chairman

Dr Peter John Hoffman, Treasurer

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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Agnes Water/1770 Community Enterprises Limited

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 11th day of September 2009

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Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenues from ordinary activities	3	171,127	28,247
Salaries and employee benefits expense		(212,366)	(139,672)
Charitable donations, sponsorship, advertising & promotion		(12,836)	(1,663)
Occupancy and associated costs		(36,006)	(7,609)
Depreciation and amortisation expense	4	(17,928)	(556)
General administration expenses		(80,873)	(23,628)
Loss before income tax credit		**(188,882)**	**(144,881)**
Income tax credit	5	-	46,109
Loss for the period		(188,882)	(98,772)
Loss attributable to members of the entity		**(188,882)**	**(98,772)**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	20	(24.22)	(25.97)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Assets			
Current assets			
Cash assets	6	347,234	533,690
Trade and other receivables	7	15,680	29,121
Total current assets		**362,914**	**562,811**
Non-current assets			
Property, plant and equipment	8	90,469	71,822
Intangible assets	9	7,833	9,833
Deferred tax assets	10	47,623	47,623
Total non-current assets		**145,925**	**129,278**
Total assets		**508,839**	**692,089**
Liabilities			
Current labilities			
Trade and other payables	11	12,156	36,735
Borrowings	12	5,407	-
Provisions	13	10,149	1,459
Total current liabilities		**27,712**	**38,194**
Non-current liabilities			
Borrowings	12	15,336	-
Provisions	13	778	-
Total non-current liabilities		**16,114**	**-**
Total liabilities		**43,826**	**38,194**
Net assets		**465,013**	**653,895**
Equity			
Issued capital	14	755,063	755,063
Accumulated losses	**15**	**(290,050)**	**(101,168)**
Total equity		**465,013**	**653,895**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Receipts from customers		145,656	250
Payments to suppliers and employees		(335,951)	(166,348)
Interest received		28,450	20,932
Interest paid		(1,673)	-
Net cash used in operating activities	**16**	**(163,518)**	**(145,166)**
Cash flows from investing activities			
Payments for property, plant and equipment		(43,681)	(63,105)
Payments for intangible assets		-	(10,000)
Net cash used in investing activities		**(43,681)**	**(73,105)**
Cash flows from financing activities			
Proceeds from borrowings		23,579	-
Repayment of borrowings		(2,836)	-
Proceeds from issue of shares		-	779,999
Repayment of Directors' loans		-	(19,350)
Payment of share issue costs		-	(19,257)
Net cash provided by financing activities		**20,743**	**741,392**
Net increase in cash held		**(186,456)**	**523,121**
Cash at the beginning of the financial year		533,690	10,569
Cash at the end of the financial year	**6(a)**	**347,234**	**533,690**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Total equity at the beginning of the period		**653,895**	**(8,075)**
Net loss for the period		(188,882)	(98,772)
Net income/expense recognised directly in equity		-	-
Total income and expense recognised by the entity for the year		**(188,882)**	**(98,772)**
Dividends provided for or paid		-	-
Shares issued during period		-	779,999
Costs of issuing shares		-	(19,257)
Total equity at the end of the period		**465,013**	**653,895**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

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 for 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 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 operation cash flows.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

For the purposes 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

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

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Note 1. Summary of significant accounting policies (continued)

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

Borrowings

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

Financial instruments

<u>Recognition and initial measurement</u>

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

<u>Derecognition</u>

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.

<u>Classification and subsequent measurement</u>

(i) 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 using the effective interest rate method.

(ii) 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 using the effective interest rate method.

Note 1. Summary of significant accounting policies (continued)

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. 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. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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 of 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 equity

Ordinary shares are 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.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 2. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 year 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 year.

Note 3. Revenue from ordinary activities

	2009 $	2008 $
Operating activities:		
- services commissions	141,879	4,047
- other revenue	-	250
Total revenue from operating activities	**141,879**	**4,297**
Non-operating activities:		
- interest received	29,248	23,950
Total revenue from non-operating activities	**29,248**	**23,950**
Total revenues from ordinary activities	**171,127**	**28,247**

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	9,557	149
- leasehold improvements	6,371	240
Amortisation of non-current assets:		
- franchise agreement	2,000	167
	17,928	**556**

Note 5. Income tax expense

		2009 $	2008 $
The components of tax expense comprise:			
- Current tax		-	-
- Deferred tax on provisions		-	468
- Future income tax benefit attributable to losses		-	(46,577)
		-	**(46,109)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(188,882)	(144,881)
Prima facie tax on loss from ordinary activities at 30%		(56,665)	(43,464)
Add tax effect of:			
- non-deductible expenses		600	50
- timing difference expenses		3,143	(468)
- investment deduction		(543)	-
- blackhole expenses		(1,497)	(2,695)
Current tax		-	(46,577)
Movement in deferred tax	10.	-	468
Tax losses not brought to account		54,962	-
		-	**(46,109)**
Income tax losses:			
Future income tax benefits arising form tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.			
Future income tax benefit carried forward is:		**(183,206)**	**-**

Notes to the financial statements continued

	2009 $	2008 $

Note 6. Cash assets

	2009 $	2008 $
Cash at bank and on hand	14,234	533,690
Term Deposits	333,000	-
	347,234	**533,690**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
6(a) Reconciliation of cash		
Cash at bank and on hand	14,234	533,690
Term Deposits	333,000	-
	347,234	**533,690**

Note 7. Trade and other receivables

	2009 $	2008 $
Trade receivables	7,246	21,930
Prepayments & other	8,434	7,191
	15,680	**29,121**

Note 8. Property, plant and equipment

	2009 $	2008 $
Plant and equipment		
At cost	22,965	18,859
Less accumulated depreciation	(3,958)	(149)
	19,007	**18,710**
Leasehold improvements		
At cost	60,828	53,352
Less accumulated depreciation	(6,611)	(240)
	54,217	**53,112**
Motor vehicle		
At cost	22,993	-
Less accumulated depreciation	(5,748)	-
	17,245	-
Total written down amount	**90,469**	**71,822**

Notes to the financial statements continued

	2009 $	2008 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts:

Plant and equipment		
Carrying amount at beginning	18,710	-
Additions	4,106	18,859
Disposals		-
Less: depreciation expense	(3,809)	(149)
Carrying amount at end	**19,007**	**18,710**
Leasehold improvements		
Carrying amount at beginning	53,112	-
Additions	7,476	53,352
Disposals	-	-
Less: depreciation expense	(6,371)	(240)
Carrying amount at end	**54,217**	**53,112**
Motor vehicle		
Carrying amount at beginning	-	-
Additions	22,993	-
Disposals	-	-
Less: depreciation expense	(5,748)	-
Carrying amount at end	**17,245**	**-**
Total written down amount	**90,469**	**71,822**

Note 9. Intangible assets

Franchise fee

At cost	10,000	10,000
Less: accumulated amortisation	(2,167)	(167)
	7,833	**9,833**

	2009 $	2008 $

Note 10. Deferred tax

	2009 $	2008 $
Deferred tax asset		
- Opening balance	47,623	1,514
Future income tax benefits attributable to losses	-	46,577
Recoupment of prior year tax losses	-	-
Deferred tax on accrued income	-	(468)
- Closing balance	**47,623**	**47,623**

Note 11. Trade and other payables

	2009 $	2008 $
Trade creditors	9,632	34,735
Other creditors & accruals	2,524	2,000
	12,156	36,735

Note 12. Borrowings

	2009 $	2008 $
Current:		
Lease liability	**5,407**	**-**
Non-current		
Lease liability	**15,336**	**-**

The Finance Lease is repayable monthly with the final instalment due on 9 July 2012. Interest is recognised at an average rate of 9%.

Note 13. Provisions

	2009 $	2008 $
Current:		
Provision for annual leave	**10,149**	**1,459**
Non-current:		
Provision for long service leave	**778**	**-**
Number of employees at year end	**4**	**3**

Note 14. Contributed equity

	2009 $	2008 $
780,006 Ordinary shares fully paid of $1 each (2008: 780,006)	780,006	780,006
Less: equity raising expenses	(24,943)	(24,943)
	755,063	**755,063**

Rights attached to shares

(a) Voting Rights

Subject to some limited exceptions, each shareholder has the right to vote at a general meeting.

On a show of hands or a poll, each shareholder attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholderthat person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder only one vote, regardless of the number of shares held, is to reflect the nature of the Company as a community based Company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to shareholders in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The Franchise Agreement with Bendigo and Adelaide Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the Company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the Company (the “10% limit”).
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the “base number test”). The Prospectus is still open but if no further shares are issued the base number is 148. As at the date of this report, the Company had 165 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the Company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a shareholderhas a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder’s associate) to dispose of the number of shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the Constitution, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

Note 15. Accumulated losses

	2009 $	2008 $
Balance at the beginning of the financial year	(101,168)	(2,396)
Net loss from ordinary activities after income tax	(188,882)	(98,772)
Dividends paid	-	-
Balance at the end of the financial year	(290,050)	(101,168)

Note 16. Statement of cashflows

	2009 $	2008 $
Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities		
Loss from ordinary activities after income tax	(188,882)	(98,772)
Non cash items:		
- depreciation	15,928	389
- amortisation	2,000	167
Changes in assets and liabilities:		
- increase in receivables	13,441	(27,929)
- increase in other assets	-	(46,109)
- increase in payables	(15,473)	25,629
-increase in provisions	9,468	1,459
Net cashflows used in operating activities	(163,518)	(145,166)

Note 17. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

	2009 $	2008 $
- audit & review services	3,200	3,000
- non audit services	1,970	1,799
	5,170	4,799

Note 18. Director and related party disclosures

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

Samantha Jane Skippen

John Charles Cook

Dr Peter John Hoffmann

Glen Douglas Smart

Sheryl Anne Valentine (Appointed 21 July 2008)

Rachel Narelle Campbell (Appointed 26 November 2008)

Renate Anna Konrad (Appointed 9 June 2009)

Karen Evelyn Wilkinson-Thompson (Appointed 16 June 2009)

Frederick Donald Moore (Resigned 21 July 2008)

Christine Olwyn Devine (Appointed 26 November 2008, Resigned 20 April 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.

Directors' shareholdings	**2009**	**2008**
Samantha Jane Skippen	20,001	20,001
John Charles Cook	5,001	5,001
Dr Peter John Hoffmann	62,002	62,002
Glen Douglas Smart	10,001	10,001
Sheryl Anne Valentine (Appointed 21 July 2008)	43,500	38,500
Rachel Narelle Campbell (Appointed 26 November 2008)	10,000	10,000
Renate Anna Konrad (Appointed 9 June 2009)	15,000	15,000
Karen Evelyn Wilkinson-Thompson (Appointed 16 June 2009)	10,000	10,000
Frederick Donald Moore (Resigned 21 July 2008)	2,001	2,001
Christine Olwyn Devine (Appointed 26 November 2008, Resigned 20 April 2009)		

There was no movement in Directors' shareholdings during the year.

Note 19. Key management personnel disclosures

No Director of the Company receives remuneration for services as a Company Director or Committee member.

There are no Executives within the Company whose remuneration is required to be disclosed.

Notes to the financial statements continued

	2009 $	2008 $
Note 20. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	(188,882)	(98,772)
	2009 Number	**2008 Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	780,006	380,371

Note 21. Events occurring after the balance sheet date

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

Note 22. Contingent liabilities

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

Note 23. Segment reporting

The economic entity will operate in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being the towns of Agnes Water and 1770 and their surrounding districts of Queensland.

Note 24. Registered office/principal place of business

The registered office and principal place of business is:

Registered office
Shop 17
Endeavour Plaza Shopping Centre
Captain Cook Drive
Agnes Water QLD 4677

Principal place of business
Shop 17
Endeavour Plaza Shopping Centre
Captain Cook Drive
Agnes Water QLD 4677

Note 25. Financial instruments

Net fair values

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

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

			Fixed interest rate maturing in									
Financial instrument	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$	$	$	%	%
Financial assets												
Cash at bank	14,234	533,690	-	-	-	-	-	-	-	-	1.25	5.67
Cash management	-	-	333,000	-	-	-	-	-	-	-	4	N/A
Receivables	-	-	-	-	-	-	-	-	15,680	29,121	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	12,156	36,735	N/A	N/A
Interest bearing liabilities	-	-	5,407	-	15,336	-	-	-	-	-	9	N/A

Director's declaration

In accordance with a resolution of the Directors of Agnes Water/1770 Community Enterprises Limited, we 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 its performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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.

(c) the audited remuneration disclosures set out in the Remuneration Report section of the Directors' Report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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

Samantha Jane Skippen, Chairman

Dr Peter John Hoffman, Treasurer

Signed on 11 September 2009.

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Bendigo Bank