

2020

annual report

Agnes Water/1770 Community
Enterprises Limited

ABN 46 123 046 677

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Chairperson's report

For year ending 30 June 2012

This year has been one of growth and consolidation for the Agnes Water/1770 **Community Bank**[®] Branch and Board, and we certainly have enjoyed a level of success as well as the usual challenges.

I am pleased to report that the company has experienced growth of 26.45% and an increase in footings of \$7.3 million in the last financial year. Our income figures were slightly below budget but, by keeping expenditure to a minimum, we have come out ahead of budget, which is a really pleasing result.

This year we have welcomed Helen Willson to the branch as a Customer Service Officer, and she is already proving an asset to the team. Alongside Mark Mooney, Shiree Frost, Dianne Nelson, Deborah Leverton and Cheryl Murry our team provides a friendly and efficient face to our branch, of which the shareholders and Board can be proud. The Board and I would like to thank the staff for their efforts to achieve these results in the past year, and for their continued excellence in customer service.

Over the last year, we have also continued to honour our commitment to the community, and have returned \$4,500 in a variety of sponsorship packages to the local community.

At the last AGM you saw many new faces introduced to our Board, so it has also been a big year of consolidation for the Board. We have been assigning committees, tackled governance and launched several new marketing initiatives around Agnes Water/1770. The Board's efforts have not gone unnoticed by Bendigo and Adelaide Bank, who filmed a 'snapshot' of our Board which was played at the national conference as a positive example of succession planning and board diversity. I would also like to take this opportunity to personally thank my Board for all their outstanding work. I feel honoured and grateful to have you by my side as we move forward onto greater success. It's great to be part of such a cohesive and effective team.

I ask for you, the shareholders, to support your **Community Bank**[®] branch by bringing your banking to the **Community Bank**[®] branch. This will go a long way towards helping us reach profitability and, in turn, enable the distribution of a dividend as soon as possible.

As shareholders you can be assured we are striving forward and anticipating great things to come. Your Board and branch are actively spreading the **Community Bank**[®] message and trying to increase our profile in the community by thoughtful marketing, sponsorship and promotion.



Susannah Plumridge
Chairperson

Manager's report

For year ending 30 June 2012

2011/12 was a year of consolidation, training, new in house systems and getting the word out about "what is the **Community Bank**[®] concept" and how it can impact the local community? Overall, a huge amount of change has been implemented in a fairly short period of time. All these changes have had a positive impact on the business, and it is pleasing to see the branch moving in the right direction.

For the 12 months ending 30 June 2012, net growth in deposits/lending grew by 26.45% taking total footings to \$34.9 million. Over the same period, customer numbers increased by 14.6% (total new customers 157) bringing total customers supporting the local community to 1,235.

Lending slowly gained strength as the **Community Bank**[®] story spread and the community gained more confidence in the branch staff. Deposit growth was also positive but was mostly impacted by monies being withdrawn to invest in the local property market, which has started to show signs of recovery. It was very pleasing to note that during the year only two loans were refinanced to other banks. The same was true for term deposits, with only nominal losses to other banks during the year.

The branch and staff were again active in the community with the following groups receiving either cash sponsorships and/or assistance from the branch staff: RFS, AWSLC, Bowls Club, AW Triathlon/Aquathon, Lions Club, Mens Shed, Marlins Rugby League Club, Rosedale State School, AW School, Little Athletics, AW Festival, AW Art Show, 1770 Dragons, Junior Tennis Squad, AW Sports & Rec Club.

During the year, Cheryl Murry went from full-time to part-time employment. This allowed the branch to employ another local, Helen Willson. This staffing change allowed the branch to restructure and implement systems to further enhance customer service and grow the business. These changes over the year have been challenging for the staff. I thank Shiree, Dianne, Deb, Cheryl and Helen for the professional and enthusiastic way they have taken on these challenges, and for their dedication to the success of the branch. I would also like to thank the Board for their support and efforts in allowing and assisting the branch to implement all the changes needed.

The positive growth in customer numbers and footings last year reflects that the branch now has the right mix of customer service, experience and competitiveness to take the business to the next level. The 2012/13 financial year will see the introduction of a number of local programs and marketing initiatives all designed to spread the **Community Bank**[®] story and encourage local banking.



Mark Mooney
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank**[®] network has achieved a significant milestone this year, contributing more than \$80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank**[®] model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank**[®] model has become so much more.

In the past financial year a further 20 **Community Bank**[®] branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank**[®] sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$80 million
- **Community Bank**[®] branches – 295
- **Community Bank**[®] branch staff – more than 1,400
- **Community Bank**[®] branch Directors – 1,905
- Volume footings – \$21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – \$28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank**[®] network's returns to communities grow exponentially each year, with \$470,000 returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation.

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank**[®] model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A- means the Bank (and its **Community Bank**[®] partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank**[®] margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank**[®] partners.

We've been working with the **Community Bank**[®] network to take action to reduce this imbalance (which is in favour of the **Community Bank**[®] partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Susannah Sarah Plumridge

Chairman

Age: 37

Vet

Susannah has been living and working in Agnes Water as the local vet since March 2008. Her 15 years in the veterinary industry have allowed her to work all along the eastern coast of Australia, all over the UK and to volunteer in Greece and PNG. She was attracted to AW as a beautiful place to live with a friendly small town feel. The **Community Bank**[®] is a great concept and has the potential to be a financial corner stone and contributor to the local area.

Interests in shares: Nil

Bernadette Grassby

Secretary (Appointed 26 September 2011)

Age: 43

Receptionist

Bernadette currently works for 1770 Environmental cruises as a Driver/Tour Guide. Her first career was in Early Childhood Services. Bernadette has also been a business owner in the Tourism Industry and has an Associate Diploma in Child Sciences. She has enjoyed promotion and marketing in her various roles held in Tourism and is a committed community member involving herself in Gladstone Region Action Group. Bernadette is currently studying to gain her Bachelor of Learning Management.

Interests in shares: Nil

Edward James Thomson

Treasurer

Age: 54

Accountant

Eddie is a qualified accountant (IPA) with experience in the banking industry and a long stint in the fruit & vegetable industry. He has served as a Manager, Financial Controller and Company Secretary of a public company (COD/Sunshine Produce/QFVG) and as a Trustee Director on the Austsafe Superannuation Fund. Over the past 10 years he has operated small businesses - most recently providing bookkeeping services. He grew up in PNG and came to Australia in 1974. He and his wife Sharron moved from Brisbane to Agnes Water in October 2010 to be closer to their daughter and grand children and in search of a better lifestyle.

Interests in shares: Nil

Matthew James Burnett

Director

Age: 37

Councillor/Company Director

Matthew lives in Gladstone and has participated on many community organisations such as Brothers RL Football Club, Wolves Soccer Club, Brothers Cricket, Chamber of Commerce & Industry, Civic Beautification Committee, Urban Local Government Assoc. & Traffic Environment Advisory Committee. He is currently Deputy Mayor of the Gladstone Regional Council and director of the Gladstone Area Promotional & Development Ltd and a former director of the Gladstone/Calliope Aerodrome Board.

Interests in shares: 500

Directors' report (continued)

Directors (continued)

Christine Olwyn Devine

Director (Appointed 30 August 2011)

Age: 61

Chris has resided in Agnes Water for approximately 4 years and is presently the owner/manager of the Fingerboard Rd Roadhouse. She has owned and managed many and varied businesses over the last 46 years.

Interests in shares: Nil

Gary Joseph Rapley

Director (Appointed 26 September 2011)

Age: 59

Garry started a Real Estate Business 21 years ago in Agnes Water/1770 building it into the most successful real estate in the area. He is currently in the process of starting a new business in the tourism industry called "Bushwacker Quad Bikes Tours". He has been very active in playing touch football over the years and outdoor motor cycle riding.

Interests in shares: Nil

Margaret Janet Behal

Director (Appointed 11 January 2012)

Age: 63

Maggie moved from Sydney to Agnes Water in 2003. Her business background was in the aerospace industry in Europe and the U.S.A. On her return to Australia she gained further qualifications and pursued a career in design, operating her own successful design company for many years. She returned to the corporate area after being offered the opportunity to launch the Australian operation of a well-known Japanese electronics company. Maggie retired in 2000 in order to tend to family obligations and now enjoys a relaxed life in her creative studio in this friendly small town.

Interest in shares: Nil

Mark Benjamin Perks

Director (Appointed 30 August 2011)

Age: 49

Caravan Park Manager

Mark resides in Agnes Water and is 49 years old. He has been a Business Director and a retail manager for 20 years. He currently manages the Caravan Park.

Interests in shares: Nil

Marci Phyllis Russo

Director (Appointed 30 August 2011)

Age: 56

Marci Russo and her husband moved to Agnes Water in 2004 from the U.S. With a degree in Visual Communication, Marci has worked as a graphic designer and Marketing Director for both advertising agencies and corporate in-house departments. She ran a successful design studio in Boulder, Colorado for 12 years and one in Los Osos, California for 5 years. While in Boulder, Marci volunteered in a low-income housing project's after school centre, tutoring primary and high school students. She is currently employed by the Agnes Water State School as a casual Teacher Aide, and continues to tutor children privately in academics and art, as well as freelance as a graphic designer.

Interests in shares: Nil

Julia Ann Cook

Director (Resigned 24 April 2012)

Age: 49

Real Estate PA

Julia holds a certificate 111 in Education and spent 20 years as a teacher aide in Gladstone & Tannum Sands. During this time she participated on many committees and community organisations, holding various executive positions. After their three sons left home, Julia and her husband John moved to Agnes Water for the quiet life. She has worked for Harcourts Real Estate for nearly 12 months which has enhanced her existing administrative skills.

Interests in shares: 500

Directors' report (continued)

Directors (continued)

Bruce Edison Rhoades

Director (Appointed 26 September 2011) (Resigned)

Age: 55

Bruce is the Manager/chief pilot of Wyndham Aviation

– Owner cut panel factory. He has been a Director of the Rural Lands Protection Board for 13 years, Chairman of the Silver Perch Growers Association for 3 years, Chairman of the Northwest Water Users Association for 7 years and secretary of the local GRAG branch.

Interests in shares: Nil

Cheryl Ann Baret

Director (Resigned 26 September 2011)

Age: 51

Interests in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Bernadette Grassby. Bernadette was appointed to the position of secretary on 24 April 2012. She currently works as a receptionist and is undertaking a Bachelor of Learning Management. She has previously owned and operated a number of businesses.

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 of the company for the financial year after provision for income tax was:

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
	(106,933)	(200,020)

Directors' report (continued)

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.

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 statements.

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' 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 except as disclosed in note 20 to the financial statements. 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.

Directors' report (continued)

Directors' Meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible	Attended
Susannah Sarah Plumridge	12	12
Bernadette Grassby (Appointed 26 September 2011)	10	10
Edward James Thomson	12	10
Matthew James Burnett	12	2
Mark Benjamin Perks (Appointed 30 August 2011)	11	9
Marci Phyllis Russo (Appointed 30 August 2011)	11	11
Christine Olwyn Devine (Appointed 30 August 2011)	11	9
Gary Rapley (Appointed 26 September 2011)	10	8
Bruce Edison Rhoades (Appointed 26 September 2011)	10	3
Margaret Janet Behal (Appointed 14 February 2012)	5	5
Cheryl Ann Barrett (Resigned 26 September 2011)	3	-
Glen Douglas Smart (Resigned 13 December 2011)	4	3
Julia Ann Cook (Resigned 27 March 2012)	9	8

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 APES 110 Code of Ethics for Professional Accountants, 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.

Directors' report (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Agnes Water, Queensland on 30 August 2012.



**Susannah Sarah Plumridge,
Chairman**

Auditor's independence declaration



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 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is positioned above the printed name.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 30 August 2012

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	328,082	275,844
Employee benefits expense		(272,654)	(252,599)
Charitable donations, sponsorship, advertising and promotion		(12,179)	(26,128)
Occupancy and associated costs		(37,230)	(39,972)
Systems costs		(18,616)	(19,073)
Depreciation and amortisation expense	5	(14,782)	(17,084)
General administration expenses		(79,554)	(73,385)
Loss before income tax expense		(106,933)	(152,397)
Income tax expense	6	-	(47,623)
Loss after income tax expense		(106,933)	(200,020)
Total comprehensive income for the year		(106,933)	(200,020)
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	(13.71)	(25.64)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	-	11,196
Trade and other receivables	8	31,308	24,929
Total Current Assets		31,308	36,125
Non-Current Assets			
Property, plant and equipment	9	64,395	77,177
Intangible assets	10	1,833	3,833
Total Non-Current Assets		66,228	81,010
Total Assets		97,536	117,135
LIABILITIES			
Current Liabilities			
Trade and other payables	12	12,328	14,980
Borrowings	13	95,936	3,787
Provisions	14	15,153	10,792
Total Current Liabilities		123,417	29,559
Non-Current Liabilities			
Borrowings	13	-	10,333
Provisions	14	6,378	2,569
Total Non-Current Liabilities		6,378	12,902
Total Liabilities		129,795	42,461
Net Assets		(32,259)	74,674
Equity			
Issued capital	15	755,063	755,063
Accumulated losses	16	(787,322)	(680,389)
Total Equity		(32,259)	74,674

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2010	755,063	(480,369)	274,694
Total comprehensive income for the year	-	(200,020)	(200,020)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	755,063	(680,389)	74,674
Balance at 1 July 2011	755,063	(680,389)	74,674
Total comprehensive income for the year	-	(106,933)	(106,933)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	755,063	(787,322)	(32,259)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2012

	Notes	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		361,274	272,074
Payments to suppliers and employees		(452,224)	(420,051)
Interest received		-	4,914
Interest paid		(2,062)	-
Net cash used in operating activities	17	(93,012)	(143,063)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(8,687)
Net cash used in investing activities		-	(8,687)
Cash Flows From Financing Activities			
Repayment of borrowings		(3,787)	(3,461)
Net cash used in financing activities		(3,787)	(3,461)
Net decrease in cash held		(96,799)	(155,211)
Cash and cash equivalents at the beginning of the financial year		11,196	166,407
Cash and cash equivalents at the end of the financial year	7 (a)	(85,603)	11,196

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention 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.

Comparative figures

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

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Agnes Water, Queensland.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The net liabilities of the company as at 30 June 2012 were \$32,259 and the loss before tax made for the year was \$106,933, bringing accumulated losses to \$787,322.

In addition:	\$
Total assets	97,536
Total liabilities	129,795
Operating cash flows	(93,012)

There was a 46% decrease in the loss before tax recorded for the financial year ended 30 June 2012 when compared to the prior year.

The company meets its day to day working capital requirements through an overdraft facility that is due for renewal on 12 January 2013. The overdraft has an approved limit of \$140,000 and was drawn to \$85,603 as at 30 June 2012. The approved overdraft limit increased to \$175,000 on 12 August 2012 (See also note 13 to the financial statements).

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Going concern (continued)

The overdraft agreement commenced in February 2012 which included an interest free period of six months due to expire during August 2012. Prior to this interest free period the overdraft incurred a total of \$1,517 interest expense during the 2012 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility. However, the overdraft is due for renewal in January 2013 and the franchise fee is due for renewal in May 2013 and may require an increase in the overdraft limit.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2012/13 financial year. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. 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. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) 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 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 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 entity intends to settle its tax assets and liabilities on a net basis.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, 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.

d) 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 defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and Cash Equivalents

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.

f) 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.

g) 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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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 transaction costs. Financial instruments are classified and measured as set out below.

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.

Classification and subsequent measurement

(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.

(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 statement of comprehensive income.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) 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 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.

m) 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.

n) 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.

o) 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.

p) 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 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 taxation authority are classified as operating cash flows.

Notes to the financial statements (continued)

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%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2012 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

Note 3. 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.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2012	2011
	\$	\$

Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	328,082	270,930
Total revenue from operating activities	328,082	270,930

Non-operating activities:

- interest received	-	4,914
Total revenue from non-operating activities	-	4,914

Total revenues from ordinary activities	328,082	275,844
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Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	5,667	7,812
- leasehold improvements	7,115	7,272
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	14,782	17,084
Bad debts	677	536

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		-
- Future income tax benefit attributed to losses	(29,736)	(46,545)
- Movement in deferred tax	(2,301)	(5,573)
- Tax losses not brought to account	32,037	52,118
- Previous periods deferred tax benefit written back		47,623
	-	47,623

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss	(106,933)	(152,397)
Prima facie tax on loss from ordinary activities at 30%	(32,080)	(45,719)
Add tax effect of:		
- non-deductible expenses	-	600
- timing difference expenses	2,301	71
- blackhole expenses	43	(1,497)
	(29,736)	(46,545)
Movement in deferred tax	(2,301)	(5,573)
Tax losses not brought to account	32,037	52,118
Previous periods deferred tax benefit written back	-	47,623
	-	47,623
Income tax losses:		
Future income tax benefits arising from 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:	(234,965)	(210,336)

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 7. Cash and Cash Equivalents			
Cash at bank and on hand		-	9,944
Term deposits		-	1,252
		-	11,196

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7(a) Reconciliation of cash

Cash at bank and on hand		-	9,944
Term deposits		-	1,252
Bank overdraft	13	(85,603)	-
		(85,603)	11,196

Note 8. Trade and Other Receivables

Trade receivables		27,107	20,878
Other receivables and accruals		800	800
Prepayments		3,401	3,252
		31,308	24,929

Note 9. Property, Plant and Equipment

Plant and equipment

At cost		35,658	35,658
Less accumulated depreciation		(16,438)	(13,203)
		19,220	22,455

Leasehold improvements

At cost		65,815	65,815
Less accumulated depreciation		(27,908)	(20,793)
		37,907	45,022

Motor vehicle

At cost		22,993	22,993
Less accumulated depreciation		(15,725)	(13,293)
		7,268	9,700

Total written down amount		64,395	77,177
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Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	22,455	23,033
Additions	-	4,000
Less: depreciation expense	(3,235)	(4,578)
Carrying amount at end	19,220	22,455
Leasehold improvements		
Carrying amount at beginning	45,022	47,607
Additions	-	4,687
Less: depreciation expense	(7,115)	(7,272)
Carrying amount at end	37,907	45,022
Motor vehicle		
Carrying amount at beginning	9,700	12,934
Less: depreciation expense	(2,432)	(3,234)
Carrying amount at end	7,268	9,700
Total written down amount	64,395	77,177

Note 10. Intangible Assets

Franchise fee

At cost	10,000	10,000
Less: accumulated amortisation	(8,167)	(6,167)
Total written down amount	1,833	3,833

Note 11. Tax

Non-Current:

Deferred tax assets

- accruals	948	823
- employee provisions	6,459	4,283
- tax losses carried forward	234,965	205,230
	242,372	210,336

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 11. Tax (continued)			
Tax losses not brought to account		(242,372)	(162,713)
Previous periods deferred tax benefit written back		-	(47,623)
Net deferred tax asset		-	-
Movement in deferred tax charged to statement of comprehensive income		-	47,623

Note 12. Trade and Other Payables

Trade creditors		1,097	5,043
Other creditors and accruals		11,231	9,937
		12,328	14,980

Note 13. Borrowings

Current:

Bank overdraft	7	85,603	-
Lease liability	18	10,333	3,787
		95,936	3,787

Non-Current:

Lease liability	18	-	10,333
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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 14. Provisions

Current:

Provision for annual leave		15,153	10,792
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Non-Current:

Provision for long service leave		6,378	2,569
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Note 15. Contributed Equity

780,006 Ordinary shares fully paid (2011: 780,006)		780,006	780,006
Less: equity raising expenses		(24,943)	(24,943)
		755,063	755,063

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each member 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 member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member 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 members 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 Limited 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 base number is 150. As at the date of this report, the company had 169 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.

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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 member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member'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 members, but that such a result may be necessary to enforce the prohibition.

	2012 \$	2011 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(680,389)	(480,369)
Net loss from ordinary activities after income tax	(106,933)	(200,020)
Balance at the end of the financial year	(787,322)	(680,389)

Note 17. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(106,933)	(200,020)
Non cash items:		
- depreciation	12,782	15,084
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- increase in receivables	(6,379)	(3,962)
- decrease in other assets	-	47,623
- increase/(decrease) in payables	(2,652)	1,478
- increase/(decrease) in provisions	8,170	(5,266)
Net cashflows used in operating activities	(93,012)	(143,063)

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 18. Leases		
Finance lease commitments		
Payable - minimum lease payments		
- not later than 12 months	10,333	3,787
- between 12 months and 5 years	-	10,333
- greater than 5 years	-	-
Minimum lease payments	10,333	14,120
Less future finance charges	-	-
Present value of minimum lease payments	10,333	14,120

The finance lease of the Subaru Impreza, which commenced on 9 August 2008, is a 4 year lease. Interest is recognised at an average rate of 9%.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- not later than 12 months	18,029	24,521
- between 12 months and 5 years	-	12,521
- greater than 5 years	-	-
	18,029	37,042

The business premises lease is a non-cancellable lease with a 3-year and 6-month term, with rent payable monthly in advance. The current lease expires on 13 April 2013 with 2 further options of 5 years.

Note 19. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	3,400	3,400
- non audit services	2,815	2,292
	6,215	5,692

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures

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

Susannah Sarah Plumridge
Bernadette Grassby (Appointed 26 September 2011)
Edward James Thomson
Matthew James Burnett
Mark Benjamin Perks (Appointed 30 August 2011)
Marci Phyllis Russo (Appointed 30 August 2011)
Christine Olwyn Devine (Appointed 30 August 2011)
Gary Rapley (Appointed 26 September 2011)
Bruce Edison Rhoades (Appointed 26 September 2011)
Margaret Janet Behal (Appointed 14 February 2012)
Cheryl Ann Barrett (Resigned 26 September 2011)
Glen Douglas Smart (Resigned 13 December 2011)
Julia Ann Cook (Resigned 27 March 2012)

Edward Thomson provided bookkeeping services to the bank during the financial year to the total benefit of \$1,700, (2011: Nil).

No other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors' Shareholdings	2012	2011
Susannah Sarah Plumridge	-	-
Bernadette Grassby (Appointed 26 September 2011)	-	-
Edward James Thomson	-	-
Matthew James Burnett	-	-
Mark Benjamin Perks (Appointed 30 August 2011)	-	-
Marci Phyllis Russo (Appointed 30 August 2011)	-	-
Christine Olwyn Devine (Appointed 30 August 2011)	-	-
Gary Rapley (Appointed 26 September 2011)	-	-
Bruce Edison Rhoades (Appointed 26 September 2011)	-	-
Margaret Janet Behal (Appointed 14 February 2012)	-	-
Cheryl Ann Barrett (Resigned 26 September 2011)		
Glen Douglas Smart (Resigned 13 December 2011)	10,001	10,001
Julia Ann Cook (Resigned 27 March 2012)	500	500

There was no movement in directors shareholdings during the year.

Notes to the financial statements (continued)

Note 21. 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.

	2012 \$	2011 \$
Note 22. Earnings Per Share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(106,933)	(200,020)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	780,006	780,006

Note 23. 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 24. Contingent Liabilities

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

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Agnes Water and 1770 and their surrounding districts of Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 17	Shop 17
Endeavour Plaza Shopping Centre	Endeavour Plaza Shopping Centre
Captain Cook Drive	Captain Cook Drive
AGNES WATER QLD 4677	AGNES WATER QLD 4677

Notes to the financial statements (continued)

Note 27. Financial Instruments

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 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 balance sheet 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

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	-	9,944	-	1,252	-	-	-	-	-	-	-	6.87
Receivables	-	-	-	-	-	-	-	-	31,308	24,929	N/A	N/A
Financial Liabilities												
Borrowings	85,603	-	10,333	3,787	-	10,333	-	-	-	-	4.67	9.00
Payables	-	-	-	-	-	-	-	-	12,328	14,980	N/A	N/A

Directors' 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 2012 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 AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Susannah Sarah Plumridge,
Chairman

Signed on the 30th of August 2012.

Independent audit report



Independent auditor's report to the members of Agnes Water/1770 Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of Agnes Water/1770 Community Enterprises Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Agnes Water/1770 Community Enterprises Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$ 106,932.62 during the year ended 30 June 2012 and, as of that date, the company's liabilities exceeded its total assets by \$ 44,192.11. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Agnes Water/1770 Community Enterprises Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 30 August 2012

Agnes Water/1770 **Community Bank**[®] Branch
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Phone: (07) 4974 7080 Fax: (07) 4974 7654



Franchisee:

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