annual report 2010

Apollo Bay & District Community Enterprises Limited

ABN 79 127 944 923

Apollo Bay & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

It is my pleasure to present this report on behalf of the Board of Directors to the shareholders of the Apollo Bay & District Community Enterprises Limited.

While below budget projections, there has been significant improvement in our book over the past nine months thanks to Manager Graham Floyer's diligence. Although the forecast growth in the prospectus has not been achieved it is estimated that we are only about 12 - 18 months away from delivering a profit.

Although the town's understanding and support of such a community oriented enterprise has been a little disappointing, the Board understands that a start-up business needs time to reach profitability and as such is working to lift public awareness and understanding of the benefits a **Community Bank®** branch can offer a small town like Apollo Bay.

Other contributing factors challenging our forecast growth have been the global financial crisis which had adverse effects on business confidence everywhere, and of course having to operate in a highly competitive banking industry where we have seen the major banking institutions forced to make significant concessions in cutting their excessive fees and moving more aggressively into the domestic market.

Unfortunately our initial capital base has not been sufficient to cope with the slower than expected growth and necessitated, with Bendigo and Adelaide Bank Ltd's support, obtaining overdraft facilities to carry us through.

A significant point of difference with the **Community Bank®** model is its philosophy of supporting community organisations. Though still in the development phase we have managed, since opening, to distribute more than $18,000 to local community groups and projects. This has been possible through Bendigo and Adelaide Bank Ltd's Market Development Fund, which is made available to branches on the basis of new business written and has enabled us to develop a positive profile of the kind of benefactor we will become once in profit.

In this coming year, on the basis of anticipated new business, the Apollo Bay **Community Bank®** Branch, looks forward to making further significant contributions to community projects.

In the past year Bendigo and Adelaide Bank Ltd has opened 24 new branches throughout Australia, taking the number of **Community Bank®** branches to more than 260, with a current list of 64 potential new branches in the pipeline indicating the perceived value for small communities of initiating this kind of community-owned enterprise.

The **Community Bank®** model is a wonderful example of Australia's capacity to engage and involve the local population and an indication of just how much it has to offer Australian communities, independent of government or large corporations.

Chairman’s report continued

During the year the Board farewelled, due to ill health, one of our inaugural Directors, John Murphy, who had made a significant contribution during his tenure, and we welcomed Sue Diffey as his replacement.

I once again wish to acknowledge the role your Board has made to the ongoing contribution your **Community Bank®** branch is making to our community even at this early stage, and we look forward to a much more significant role once we reach profitability.

Allen Hokin
Chairman

Manager’s report

For year ending 30 June 2010

I am pleased to report that during our second year of trading we have made steady progress with over 1,000 accounts and funds under management of approximately $30 million. We are hopeful the current momentum can translate to the branch becoming a profitable operation during the next 12-18 months.

With the improvement in the economy following the global financial crisis we believe that the branch’s profitability can improve as the level of public confidence increases. We need to keep advising our shareholders and the community that in order to increase our commitment to the community we need to grow the business.

Through Bendigo and Adelaide Bank Ltd’s Market Development Fund we have been able to assist many community groups through grants and sponsorships. In particular, substantial funds were raised for local organisations through special grants and the “Ban the Bulb” promotion sponsored by Bendigo Bank.

This is the beginning of our commitment to return funds to the community and we are working towards achieving a profitable operation where it is envisaged a substantial pool of funds will be available for community projects on an ongoing basis.

Our experienced staff including Joanne, Dennis and Becky continue to deliver excellent service which is appreciated by our customer base. We all continue to expand our knowledge of policies and procedures and all staff have undertaken additional training to bring them to the level of service that has enabled Bendigo and Adelaide Bank Ltd to receive such high customer satisfaction ratings.

The Board of Directors continue with their strong commitment on a voluntary basis with the day to day running of the business and promoting awareness of the **Community Bank®** branch. While the general community has yet to fully embrace the concept of a **Community Bank®** branch we are seeing increased public confidence.

With the support of our existing customers and shareholders, and growing awareness by the general community, we look forward to being a major benefactor to the Apollo Bay and district community.

Graham Floyer
Manager

Directors' report

For the financial year ended 30 June 2010

Your directors submit the financial statements of the company for the financial year ended 30 June 2010.

Directors

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

Allen James Hokin
Chairman
Age: 78
Retired

Ian Malcolm Richardson
Treasurer
Age: 63
Semi-retired Accountant

Patricia Lorraine Hokin
Secretary
Age: 67
Retired

Susan Maree Kennedy
Director
Age: 49
Retail Brand Manager

Anthony Gerrard Tibbits
Director
Age: 49
Carpenter

Tony John Webber
Director
Age: 54
Shearer/Farm Manager

Gregory James Weston
Director
Age: 56
Retired

Gary William McPike
Director
Age: 53
Executive Officer

Susan Diffey
Director (Appointed 27 October 2009)
Age: 48
Retired

Merrilyn Gaye Lear
Director
(Appointed 28 July 2009 - Resigned 31 August 2010)
Age: 59
Hotelier

John Vincent Murphy
Director (Resigned 30 September 2009)
Age: 69
Retired

Susan Diffey
Director (Appointed 27 October 2009)
Age: 48
Retired

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

No Directors have material interests in contracts or proposed contracts with the company, except for Ian Malcom Richardson who provided bookkeeping services to the company.

Company Secretary

The company secretary is Patricia Hokin. Patricia was appointed to the position of secretary since its inception and was also part of the original Steering Committee. Patricia is a retired business proprietor with both legal and business secretarial experience.

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 2010 $	Year ended 30 June 2009 $
	(329,354)	(162,750)

The figure of $329,354 includes a future income tax benefit of $134,960 which has been reversed during the year and will not be recognized until such time as we are in profit.

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.

Directors' report continued

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.

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 Meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Marketing		Human Resources		Shareholders' Relations	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Allen James Hokin	12	12	5	5	-	-	-	-
Ian Malcolm Richardson	12	10	-	-	-	-	-	-
Patricia Lorraine Hokin	12	12	-	-	3	3	1	1
Susan Maree Kennedy	12	12	5	5	-	-	1	1
Anthony Gerrard Tibbits	12	11	-	-	3	2	1	1
Tony John Webber	12	10	-	-	3	1	-	-
Gregory James Weston	12	5	5	5	-	-	-	-
Gary William McPike	12	11	5	5	-	-	-	-
Susan Diffey (Appointed 27/10/09)	8	7	4	4	-	-	-	-
Merrilyn Gaye Lear (Appointed 28/7/09 - Resigned 31/8/10)	12	8	-	-	3	2	-	-
John Vincent Murphy (Resigned 30/9/09)	3	1	-	-	-	-	-	-

Directors' report continued

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.

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 9.

Signed in accordance with a resolution of the board of directors at Apollo Bay, Victoria on 13 September 2010.

Allen James Hokin,	**Ian Malcolm Richardson,**
Chairman	**Treasurer**

Auditor's independence declaration

Chartered Accountants & Business Advisors

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Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Apollo Bay & District 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 2010 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
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 13th day of September 2010

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	4	193,162	139,328
Employee benefits expense		(220,667)	(208,407)
Charitable donations, sponsorship, advertising and promotion		(6,092)	(7,960)
Occupancy and associated costs		(44,888)	(43,270)
Systems costs		(37,546)	(34,300)
Depreciation and amortisation expense	5	(17,440)	(17,166)
Finance costs	5	(1,328)	(121)
General administration expenses		(59,595)	(62,264)
Loss before income tax credit		**(194,394)**	**(234,160)**
Income tax (expense)/credit	6	(134,960)	71,410
Loss after income tax credit		**(329,354)**	**(162,750)**
Total comprehensive income for the year		**(329,354)**	**(162,750)**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	21	(45.63)	(22.55)

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	200	110,200
Trade and other receivables	8	13,367	8,321
Total Current Assets		**13,567**	**118,521**
Non-Current Assets			
Property, plant and equipment	9	155,013	169,635
Intangible assets	10	5,500	7,500
Deferred tax assets	11	-	134,960
Total Non-Current Assets		**160,513**	**312,095**
Total Assets		**174,080**	**430,616**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	11,534	16,568
Interest bearing liabilities	13	81,804	6,187
Provisions	14	12,729	13,655
Total Current Liabilities		**106,067**	**36,410**
Non-Current Liabilities			
Provisions	14	4,745	1,584
Total Non-Current Liabilities		**4,745**	**1,584**
Total Liabilities		**110,812**	**37,994**
Net Assets		**63,268**	**392,622**
Equity			
Issued capital	15	696,162	696,162
Accumulated losses	16	(632,894)	(303,540)
Total Equity		**63,268**	**392,622**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	**679,562**	**(140,790)**	**538,772**
Total comprehensive income for the year	**-**	**(162,750)**	**(162,750)**
Transactions with owners in their capacity as owners:			
Shares issued during period	16,600	-	16,600
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2009	**696,162**	**(303,540)**	**392,622**
Balance at 1 July 2009	**696,162**	**(303,540)**	**392,622**
Total comprehensive income for the year	**-**	**(329,354)**	**(329,354)**
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 2010	**696,162**	**(632,894)**	**63,268**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the year ended 30 June 2010

	Note	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		187,330	182,990
Payments to suppliers and employees		(361,336)	(371,295)
Interest received		785	19,681
Interest paid		(1,328)	(121)
Income taxes paid			
Net cash used in operating activities	**17**	**(174,549)**	**(168,745)**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(818)	(1,090)
Net cash used in investing activities		**(818)**	**(1,090)**
Cash Flows From Financing Activities			
Proceeds from issues of shares		-	16,600
Payment for share issue costs		(10,250)	-
Net cash provided by financing activities		**(10,250)**	**16,600**
Net decrease in cash held		**(185,617)**	**(153,235)**
Cash and cash equivalents at the beginning of the financial year		104,013	257,248
Cash and cash equivalents at the end of the financial year	**7(a)**	**(81,604)**	**104,013**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards, and the Corporations Act 2001.

Compliance with IFRS

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

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.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

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.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

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 Apollo Bay, Victoria.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank 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 company has, as part of its normal operations, obtained a overdraft facility with Bendigo and Adelaide Bank Limited to help finance operations. 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 2010/11 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank to further develop its business.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

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).

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 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.

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.

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.

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2010 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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation (continued)

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.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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.

	2010 $	2009 $

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	192,377	120,734
Total revenue from operating activities	**192,377**	**120,734**
Non-operating activities:		
- interest received	785	18,594
Total revenue from non-operating activities	**785**	**18,594**
Total revenues from ordinary activities	**193,162**	**139,328**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	7,104	6,830
- leasehold improvements	8,336	8,336
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	17,440	**17,166**
Finance costs:		
- interest paid	**1,328**	**121**
Bad debts	2,356	335

	Note	2010 $	2009 $

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:			
- Future income tax benefit attributed to losses		(57,960)	(68,803)
- Movement in deferred tax		(1,357)	(2,607)
- Tax losses not brought to account		59,317	-
- Previous periods deferred tax benefit written back		(134,960)	-
		(134,960)	**(71,410)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(194,394)	(234,160)
Prima facie tax on loss from ordinary activities at 30%		(58,318)	(70,248)
Add tax effect of:			
- non-deductible expenses		600	600
- timing difference expenses		1,357	2,607
- blackhole expenses		(1,599)	(1,762)
		(57,960)	**(68,803)**
Movement in deferred tax	11	(1,357)	(2,607)
Tax losses not brought to account		59,317	-
Previous periods deferred tax benefit written back		(134,960)	-
		(134,960)	**(71,410)**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		200	200
Term deposits		-	110,000
		200	**110,200**

	Note	2010 $	2009 $

Note 7. Cash and Cash Equivalents (continued)

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		200	200
Term deposits		-	110,000
Bank overdraft	13	(81,804)	(6,187)
		(81,604)	**104,013**

Note 8. Trade and Other Receivables

Trade receivables		11,777	6,033
Other receivables & accruals		-	2,288
Prepayments		1,590	-
		13,367	**8,321**

Note 9. Property, Plant and Equipment

Plant and equipment			
At cost		49,636	48,818
Less accumulated depreciation		(20,691)	(13,587)
		28,945	**35,231**
Leasehold improvements			
At cost		144,608	144,608
Less accumulated depreciation		(18,540)	(10,204)
		126,068	**134,404**
Total written down amount		**155,013**	**169,635**

	2010 $	2009 $

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts:

Plant and equipment		
Carrying amount at beginning	35,231	40,971
Additions	818	1,090
Disposals	-	-
Less: depreciation expense	(7,104)	(6,830)
Carrying amount at end	**28,945**	**35,231**
Leasehold improvements		
Carrying amount at beginning	134,404	142,740
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,336)	(8,336)
Carrying amount at end	**126,068**	**134,404**
Total written down amount	**155,013**	**169,635**

Note 10. Intangible Assets

Franchise fee

At cost	10,000	10,000
Less: accumulated amortisation	(4,500)	(2,500)
Total written down amount	**5,500**	**7,500**

Note 11. Tax

Non-Current:

Deferred tax assets		
- Future income tax benefits attributable to losses	57,960	68,803
- employee provisions	1,357	2,607
- tax losses carried forward	134,960	63,550
- deferred tax credit not brought to account	(59,317)	-
	134,960	**134,960**

	2010 $	2009 $

Note 11. Tax (continued)

Deferred tax liability

- accruals	-	-
- deductible prepayments	-	-
	-	**-**
Previous periods deferred tax benefit written back	(134,960)	-
Net deferred tax asset	**-**	**134,960**
Movement in deferred tax charged to statement of comprehensive income	**-**	**(2,607)**

Note 12. Trade and Other Payables

Trade creditors	9,334	14,368
Other creditors & accruals	2,200	2,200
	11,534	**16,568**

Note 13. Borrowings

Current:

Bank overdraft	**81,804**	**6,187**

The bank overdraft has an approved limit of $120,000 and is loaded progressively as follows:

- $150,000 30/09/10 then,
- $200,000 30/12/10 then,
- $250,000 30/03/11 then,
- $300,000 ongoing.

The bank overdraft is interest free for 6 months, after which time is to revert to the variable rate. The bank overdraft is secured by a Registered First Company Debenture Mortgage from Apollo Bay & District Community Enterprises Limited.

	2010 $	2009 $

Note 14. Provisions

	2010 $	2009 $
Current:		
Provision for annual leave	**12,729**	**13,655**
Non-Current:		
Provision for long service leave	**4,745**	**1,584**
Number of employees at year end	4	4

Note 15. Contributed Equity

	2010 $	2009 $
720,810 Ordinary shares fully paid (2009: 722,810)	722,810	722,810
Less: equity raising expenses	(26,648)	(26,648)
	696,162	**696,162**

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).

Note 15. Contributed Equity (continued)

Rights attached to shares (continued)

(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 270. As at the date of this report, the company had 301 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 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.

	2010 $	2009 $

Note 16. Accumulated Losses

Balance at the beginning of the financial year	(303,540)	(140,790)
Net loss from ordinary activities after income tax	(329,354)	(162,750)
Dividends paid or provided for		
Balance at the end of the financial year	(632,894)	(303,540)

The figure of $329,354 includes a future income tax benefit of $134,960 which has been reversed during the year and will not be recognized until such time as we are in profit.

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	(329,354)	(162,750)
Non cash items:		
- depreciation	15,440	15,166
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,047)	48,650
- (increase)/decrease in other assets	134,960	(71,410)
- (decrease) in payables	5,216	(11,380)
- increase in provisions	2,236	10,979
Net cashflows used in operating activities	**(174,549)**	**(168,745)**

Note 18. Auditors' Remuneration

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

- audit & review services	3,400	3,200
- non audit services	1,648	3,370
	5,048	**6,570**

Note 19. Director and Related Party Disclosures

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

Allen James Hokin

Ian Malcolm Richardson

Patricia Lorraine Hokin

Susan Maree Kennedy

Anthony Gerrard Tibbits

Tony John Webber

Gregory James Weston

Gary William McPike

Susan Diffey (Appointed 27/10/09)

Merrilyn Gaye Lear (Appointed 28/7/09 - Resigned 31/8/10)

John Vincent Murphy (Resigned 30/9/09)

Except for Ian Malcolm Richardson no director or related entity has entered into a material contract with the company.

Ian Malcolm Richardson provided bookkeeping services to Appollo Bay Community Enterprise Limited during the financial year, the total benefit received for the financial year was $4,896.50.

Directors Shareholdings	**2010**	**2009**
Allen James Hokin	5,001	5,001
Ian Malcolm Richardson	-	-
Patricia Lorraine Hokin	5,001	5,001
Susan Maree Kennedy	5,001	5,001
Anthony Gerrard Tibbits	5,001	5,001
Tony John Webber	5,001	5,001
Gregory James Weston	-	-
Gary William McPike	-	-
Susan Diffey (Appointed 27/10/09)	-	-
Merrilyn Gaye Lear (Appointed 28/7/09 - Resigned 31/8/10)	-	-
John Vincent Murphy (Resigned 30/9/09)	10,001	10,001

There was no movement in directors shareholdings during the year.

Note 20. 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.

Note 21. Earnings Per Share

	2010 $	2009 $
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(329,354)	(162,750)

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	721,810	721,810

Note 22. 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 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Apollo Bay and surrounding districts, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
14 Pascoe Street
Apollo Bay VIC 3233

Principal Place of Business
14 Pascoe Street
Apollo Bay VIC 3233

Note 26. 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					
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	-	-	-	-	-	-	-	-	200	200	Nil	Nil
Term deposit	-	-	-	110,000	-	-	-	-	-	-	N/A	6.87
Receivables	-	-	-	-	-	-	-	-	13,367	8,321	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	81,804	6,187	-	-	-	-	-	-	-	-	6.24	9.94
Payables	-	-	-	-	-	-	-	-	11,534	16,568	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Apollo Bay & District 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 2010 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.

Allen James Hokin,
Chairman

Ian Malcolm Richardson,
Treasurer

Signed on the 13th of September 2010.

Independent audit report

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Chartered Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the members of Apollo Bay & District Community Enterprises Limited

We have audited the accompanying financial report of Apollo Bay & District Community Enterprises Limited, which comprises the balance sheet as at 30 June 2010, 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 (including the Australian Accounting Interpretations) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Apollo Bay & District 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 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. 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 Apollo Bay & District Community Enterprises Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 13th day of September 2010

Apollo Bay & District **Community Bank®** Branch
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Phone: (03) 5237 7779

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