



annual report **2012**

Barwon Heads
Community Enterprise Limited

ABN 68 149 465 396

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Chairman's report

For year ending 30 June 2012

It gives me great pleasure to present on behalf of the Board of Directors of the Barwon Heads Community Enterprise Ltd, the inaugural Annual Report to shareholders.

Our campaign to establish a **Community Bank**[®] branch in Barwon Heads commenced in March 2009 and consisted of an initial steering committee representing a diverse range of business and community groups. While some members were unable to remain for the duration, the vast majority remained to become Directors after incorporation.

To all Steering Committee members and subsequent Directors involved in the early stages of our campaign we express our sincere appreciation for their passion and commitment to our project.

A target of \$770,000 with 330 pledgees was set for us to attain prior to a feasibility study being conducted. This target was met and David Hutchins from AFS was appointed to manage our feasibility study.

In June 2011 we launched our prospectus and achieved our minimum capital raising in excess of \$770,000 by 1 September 2011. The Board resolved to close the share offer as of 22 June 2012 at \$817,464 and with 268 shareholders.

To all our shareholders, I take this opportunity to congratulate you and to thank you for your support and demonstration of confidence in the **Community Bank**[®] model.

The greatest challenge for the establishment of a **Community Bank**[®] branch in Barwon Heads was always going to be the securing of an appropriate site in an already crowded retail precinct.

After due consideration it was determined that a purpose built branch in the newly rezoned section of Hitchcock Avenue, would match all of our criteria.

On 6 September we became the proud tenants of a new landmark building at 70 Hitchcock Avenue, Barwon Heads.

Officially our company commenced trading on 1 May 2012 and our Manager, Ms. Kim Ferry took up her appointed duties as of that date, working out of the Ocean Grove Bendigo Bank branch. This has enabled business to be undertaken prior to moving in to our own premises.

In the short time that we have been trading, we have been well received by the Barwon Heads community and our Manager's report details the level of business activity on the books.

Our goal is to provide the full range of banking services at the highest level for all our customers.

A high priority for the Barwon Heads **Community Bank**[®] Branch will always be to provide support for the many community organisations that serve the town. The Board has developed policies and procedures to ensure that our business grows in line with community and bank expectations.

During our campaign to establish our **Community Bank**[®] branch, the Board received invaluable advice, support and encouragement from Tracy Wilson, Senior Community Strengthening Officer and his team at Bendigo and Adelaide Bank.

To our local heroes, Regional Manager, Pat Murnane, Melissa Pearce, Vicki Nicholls and the many other staff members, a sincere thank you for your generosity and commitment to the success of the establishment of our branch.

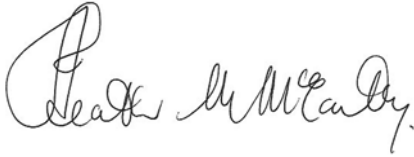
To the Manager and staff of the Ocean Grove branch a sincere thank you for your ongoing support, your advice and goodwill for the duration of our lengthy campaign.

Chairman's report (continued)

I would also like to acknowledge the generous financial support given to the Steering Committee by the Barwon Heads Traders Organization and Cr. Andy Richards from the City of Greater Geelong.

Finally, I would like to thank our Directors who selflessly volunteer their time, energy and expertise to ensure the success of our branch. Untold hours and much hard work have gone into the campaign to achieve our own **Community Bank®** branch which will offer full financial services for the first time in Barwon Heads.

Thank you for your dedication to your community over the past three and half years. You should be proud of the relationships that you have developed that will take us with confidence into the future.

A handwritten signature in black ink, appearing to read 'Heather McCarthy'.

Heather McCarthy
Chairman

Manager's report

For year ending 30 June 2012

Barwon Heads **Community Bank**[®] Branch commenced trading 1 May 2012.

The establishment of the business would not have been possible without the tireless work of our past and present Directors and previous Steering Committee members and the support of the wider Barwon Heads community.

Our total business of deposits and loans already stands at \$28 million.

The wonderful results achieved in such a short time have not just happened. They have come about because of the hard work of many people over a four-year period. Special thanks must also go to our colleagues at Bendigo Bank Ocean Grove branch for their support and assistance over this period.

Also a big thank you must go to our recently appointed staff members Stephanie, Alexandra, Noeline, Karen and Bec. We welcome their addition and future contribution to our team. Team is not just a word but an acronym for 'Together Everybody Achieves More'. We are looking forward to our future achievements.

And finally to our shareholders and customers, your financial support will ensure your Barwon Heads **Community Bank**[®] Branch will be a success. It is with your support that we will be able to support our community with sponsorships and grants – our 'Community Investment Program'. By simply conducting your banking at our **Community Bank**[®] branch everyone in the wider community benefits.



Kim Ferry
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:

Heather Mary McCarthy

Chairman

Age: 64

Occupation: Business Proprietor

Experience & Expertise: Small business owner.

32 years experience in the Victorian Education

Department as a Secondary School Teacher,

Organisational Health Consultant. Careers Advisor and

Professional Development Manager. Councillor and

Mayor of the Camperdown Council between 1983 and

1987. Member of Barwon Heads Traders & Tourism

Association and various sporting groups.

Interest in shares: 8,101

Hamish Lonsdale

Vice Chairman

Age: 65

Occupation: Systems Engineer

Experience & Expertise: Proprietor and Director of local

Information Technology support business. Heavily involved

with the local community groups as President of the

Barwon Heads Traders and Tourism Association and

Honorary Secretary of Barwon Heads Sailing Association.

Interest in shares: 8,601

Denis Newton Crake

Treasurer (Appointed 1 October 2011)

Age: 65

Occupation: Retired

Experience & Expertise: Senior Finance/Commercial

roles in public companies. Fellow of the Certified

Practicing Accountants Australia.

Interest in shares: Nil

John Anthony Wheal

Secretary

Age: 66

Occupation: Retired

Experience & Expertise: Service with Royal Australian Air

Force (RAAF) for almost 30 years both as a pilot and in

logistics. Civilian work history in the commercial logistics,

local and state government sectors. Since retirement has

been actively involved in various community organisations.

Treasurer of the Geelong Aero Club and active member of

the Ocean Grove Barwon Heads RSL Sub-Branch.

Interest in shares: 11,101

Jeffrey Michael Brooks

Director

Age: 47

Occupation: Managing Director

Experience & Expertise: Company Director involved in

Security and Risk Management and is a part owner of

a building services company with 1,000 staff. Active

member of the community with involvement with the

kindergarten (past President) and the Barwon Heads

Scouts.

Interest in shares: 53,001

Christopher Peter Bryan

Director

Age: 41

Occupation: Business Proprietor and Media Director

Experience & Expertise: Extensively working history in the

media over a 20 year period, including in the newspaper

industry, regional and metropolitan radio and associate

roles in graphic design and marketing. Self employed

proprietor of media agency.

Interest in shares: 7,101

Directors' report (continued)

Directors (continued)

David Gotley Cooke

Director

Age: 76

Occupation: Business Proprietor

Experience & Expertise: Extensive work history in farming and business ownership/proprietorship. 25 years as part-owner of local bus line including contract school runs. Now a partner in two local supermarket. Member of Rotary.

Interest in shares: 2,101

Helen Mary Edwards O.A.M

Director

Age: 76

Occupation: Retired Teacher

Experience & Expertise: Primary School teacher for 30 years, now retired. Has managed the local Opportunity Shop for 19 years, Vicar's Warden for All Saints Anglican Church for 16 years and voluntary work with the Girl Guides for 25 years. Current committee member of the Barwon Heads Community Hall.

Interest in shares: 24,101

Martin Anthony Klabbers

Director

Age: 63

Occupation: Business Proprietor

Experience & Expertise: Trained radio and TV technician. Served in the Reserves of the Royal Australian Artillery (RAA) as a regimental surveyor. Currently works and operates local family upholstery business. Over the past 35 years has been involved with several local community groups and associations.

Interest in shares: 6,701

Carolyn Jane Neale

Director

Age: 49

Occupation: Professional Practice Manager

Experience & Expertise: Tertiary qualifications in Community Health Nursing. Extensive nursing work history focusing on community nursing and women's health. Currently manages building surveying consultancy business for the last 15 years. Many years of local community group involvement including kindergarten and primary school councils, parent association secretary, Book Club and Easter Fair children's stall coordinator.

Interest in shares: 4,501

Bernard Joseph Napthine

Director

Age: 56

Occupation: Pharmacist

Experience & Expertise: Graduated as a Pharmacist in 1978. Owner/proprietor of local Pharmacy for 13 years. Actively involved in local community including the Traders and Tourism Association and the Barwon Heads Association. Founding member and current Treasurer of the Barwon Heads Festival of the Sea.

Interest in shares: 5,101

Thomas Edward White

Director

Age: 40

Occupation: Lawyer

Experience & Expertise: Bachelor of Commerce and Bachelor of Law (Hons). Practiced as a Commercial Lawyer for over 12 years. Managing Partner of Geelong based law firm Coulter Roache Lawyers and operates the Barwon Heads branch office. Life Member of Gateways Support Services. Active member of the local community.

Interest in shares: 5,101

Directors' report (continued)

Directors (continued)

Pieter Aart Roos

Director

Age: 59

Occupation: Builder

Experience & Expertise: 40 years working in the Geelong-Bellarine Peninsula area as builder in family construction business. Has travelled extensively with interest in orchid horticulture. Past President of the Geelong Orchid Society.

Interest in shares: 5,101

Judith Rita Brooks

Director (Resigned 10 April 2012)

Age: 66

Occupation: Teacher

Experience & Expertise: B.Ed (Monash). Teaches English to international students at The Gordon TAFE in Geelong, has taught in many different countries. Member of the Barwon Heads Association, the Community Garden and the Barwon Heads Film Society.

Interest in shares: 601

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 John Anthony Wheal. Tony was appointed to the position of secretary upon incorporation on 22 February 2011. Tony has many years experience in business operations and management and has been involved in the activities of running several local community groups.

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. During the year the company finalised the capital raising under the prospectus to enable commencement of the franchise. A lease on the proposed branch premises was successfully negotiated, with construction of the premises commencing during the latter part of the year. This has recently been completed, with the fit out to be undertaken in the near future. The Board anticipates an opening date of 6 September 2012.

Operating Results

Operations have performed in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
	12,425	(1,234)

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.

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.

Directors' report (continued)

Matters Subsequent to the End of the Financial Year

Since the end of the financial year, construction of the branch premises has been completed, with the fit out to be undertaken in the near future. The Board expects the branch to be operational from its new premises, trading as Barwon Heads **Community Bank**®, from 6 September 2012.

There are no other 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.

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:

Director	Number of Board Meetings	
	eligible to attend	Number attended
Heather Mary McCarthy	23	23
Hamish Lonsdale	23	19
Denis Newton Crake (Appointed 1 October 2011)	18	15
John Anthony Wheal	23	17
Jeffrey Michael Brooks	23	14
Christopher Peter Bryan	23	15
David Gotley Cooke	23	17
Helen Mary Edwards O.A.M	23	20
Martin Anthony Klabbers	23	18
Carolyn Jane Neale	23	17

Directors' report (continued)

Directors' Meetings (continued)

Director	Number of Board Meetings	
	eligible to attend	Number attended
Bernard Joseph Napthine	23	19
Thomas Edward White	23	15
Pieter Aart Roos	23	19
Judith Rita Brooks (Resigned 10 April 2012)	17	13
Spencer James Millear (Resigned 1 September 2011)	4	-

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.

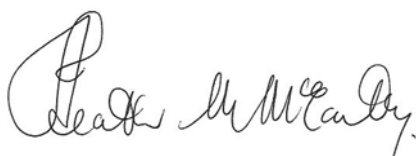
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 12.

Signed in accordance with a resolution of the board of directors at Barwon Heads, Victoria on 28 August 2012.



Heather Mary McCarthy,
Chairman

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Barwon Heads Community Enterprise 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'.

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

Dated: 28 August 2012

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	65,059	1,900
Employee benefits expense		(26,340)	-
Charitable donations, sponsorship, advertising and promotion		(2,366)	(293)
Depreciation and amortisation expense	5	(3,666)	-
Finance costs	5	(394)	(94)
General administration expenses		(15,247)	(5,674)
Profit/(loss) before income tax (expense)/credit		17,046	(4,161)
Income tax (expense)/credit	6	(4,621)	2,927
Profit/(loss) after income tax (expense)/credit		12,425	(1,234)
Total comprehensive income for the year		12,425	(1,234)
Earnings per share (cents per share)		c	c
- basic for profit for the year	20	2.33	(7.24)

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	420,533	505,233
Trade and other receivables	8	41,717	2,381
Current tax assets	11	834	-
Total Current Assets		463,084	507,614
Non-Current Assets			
Property, plant and equipment	9	239,877	-
Intangible assets	10	106,334	-
Deferred tax assets	11	-	2,927
Total Non-Current Assets		346,211	2,927
Total Assets		809,295	510,541
LIABILITIES			
Current Liabilities			
Trade and other payables	12	2,803	20,434
Borrowings	13	4,163	7,500
Total Current Liabilities		6,966	27,934
Non-Current Liabilities			
Deferred tax liabilities	11	1,647	-
Total Current Liabilities		1,647	-
Total Liabilities		8,613	27,934
Net Assets		800,682	482,607
Equity			
Issued capital	14	789,491	483,841
Retained earnings/(Accumulated losses)	15	11,191	(1,234)
Total Equity		800,682	482,607

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 \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2010	–	–	–
Total comprehensive income for the year	–	(1,234)	(1,234)
Transactions with owners in their capacity as owners:			
Shares issued during period	511,814	–	511,814
Costs of issuing shares	(27,973)	–	(27,973)
Dividends provided for or paid	–	–	–
Balance at 30 June 2011	483,841	(1,234)	482,607
Balance at 1 July 2011	483,841	(1,234)	482,607
Total comprehensive income for the year	–	12,425	12,425
Transactions with owners in their capacity as owners:			
Shares issued during period	305,650	–	305,650
Costs of issuing shares	–	–	–
Dividends provided for or paid	–	–	–
Balance at 30 June 2012	789,491	11,191	800,682

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		50,271	1,900
Payments to suppliers and employees		(82,744)	(6,148)
Interest received		18,987	-
Interest paid		(394)	(94)
Income taxes paid		(881)	-
Net cash used in operating activities	16	(14,761)	(4,342)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(239,877)	-
Payments for intangible assets		(110,000)	-
Net cash used in investing activities		(349,877)	-
Cash Flows From Financing Activities			
Proceeds from issues of shares		302,550	511,814
Payment for share issue costs		(18,234)	(9,739)
Proceeds from borrowings		-	7,500
Repayment of borrowings		(4,378)	-
Net cash provided by financing activities		279,938	509,575
Net increase/(decrease) in cash held		(84,700)	505,233
Cash and cash equivalents at the beginning of the financial year		505,233	-
Cash and cash equivalents at the end of the financial year	7(a)	420,533	505,233

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 Barwon Heads, Victoria.

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.

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.

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.

The establishment fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also 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)

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 \$
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Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	38,382	-
- other revenue (grants & donations)	2,200	1,900
Total revenue from operating activities	40,582	1,900

Non-operating activities:

- interest received	24,477	-
Total revenue from non-operating activities	24,477	-
Total revenues from ordinary activities	65,059	1,900

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
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Note 5. Expenses

Amortisation of non-current assets:

- franchise fee		333	-
- franchise establishment fee		3,333	-
		3,666	-

Finance costs:

- interest paid		394	94
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Note 6. Income Tax Expense/(Credit)

The components of tax expense comprise:

- Current tax		47	-
- Future income tax benefit attributed to losses		-	(2,927)
- Movement in deferred tax		1,647	
- Recoupment of prior year tax losses		2,927	-
		4,621	(2,927)

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

Operating profit/(loss)		17,046	(4,161)
Prima facie tax on profit/(loss) from ordinary activities at 30%		5,114	(1,248)
Add tax effect of:			
- non-deductible expenses		1,186	-
- timing difference expenses		(1,647)	-
- other deductible expenses		(1,679)	(1,679)
		2,974	(2,927)
Movement in deferred tax	11	1,647	-
		4,621	(2,927)

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 7. Cash and Cash Equivalents

Cash at bank and on hand	51,226	511,835
Term deposits	369,307	-
Bank overdraft	-	(6,602)
	420,533	505,233

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	51,226	511,835
Term deposits	369,307	-
Bank overdraft	-	(6,602)
	420,533	505,233

Note 8. Trade and Other Receivables

Trade receivables	10,900	-
Other receivables and accruals	30,817	2,381
	41,717	2,381

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	11,150	-
Less accumulated depreciation	-	-
	11,150	-

Leasehold improvements

At cost	228,727	-
Less accumulated depreciation	-	-
	228,727	-

Total written down amount	239,877	-
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Leasehold improvements consists of the commitment fee paid to Bendigo and Adelaide Bank Limited to undertake the fit out of the branch premises. This fee is based on the estimated cost of the fit out. A reconciliation against actual costs will be prepared upon completion of the fit out. Any costs incurred in excess of this fee will be payable to Bendigo and Adelaide Bank Limited or any surplus funds remaining will be refunded to the company.

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	-	-
Additions	11,150	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	11,150	-
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	228,727	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	228,727	-
Total written down amount	239,877	-

Note 10. Intangible Assets

Franchise fee		
At cost	10,000	-
Less: accumulated amortisation	(333)	-
	9,667	-
Establishment fee		
At cost	100,000	-
Less: accumulated amortisation	(3,333)	-
	96,667	-
Total written down amount	106,334	-

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 11. Tax		
Current:		
Income tax refundable	834	-
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	-	-
- tax losses carried forward	-	2,927
	-	2,927
Deferred tax liability		
- accruals	1,647	-
- deductible prepayments	-	-
	1,647	-
Net deferred tax asset/(liability)	(1,647)	2,927

Note 12. Trade and Other Payables

Trade creditors	506	14,505
Other creditors and accruals	2,297	5,929
	2,803	20,434

Note 13. Borrowings

Current:		
Loans - Directors	400	3,500
Loans - Other	-	4,000
Loan - Hunter Premium Funding Limited	3,763	-
	4,163	7,500

Loans from Directors and others were used to pay for start up costs. Upon the company raising the minimum subscription per the Prospectus the loans were repaid or have been converted to shares in the company. The balance remain payable as and when required. All directors loans are interest free.

The loan from Hunter Premium Funding Limited is a monthly instalment facility to fund the annual premium payable for the directors and officers insurance policy provided by Marsh. There are twelve instalments payable with total interest of \$403.02 charged over the life of this facility.

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 14. Contributed Equity		
817,464 Ordinary shares fully paid (2011: 511,814)	817,464	511,814
Less: equity raising expenses	(27,973)	(27,973)
	789,491	483,841

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 241. As at the date of this report, the company had 268 shareholders.

Notes to the financial statements (continued)

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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.

	2012 \$	2011 \$
Balance at the beginning of the financial year	(1,234)	-
Net profit/(loss) from ordinary activities after income tax	12,425	(1,234)
Balance at the end of the financial year	11,191	(1,234)

Note 15. Accumulated Losses

Note 16. Statement of Cashflows

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

Profit/(loss) from ordinary activities after income tax	12,425	(1,234)
Non cash items:		
- amortisation	3,666	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(35,195)	(2,381)
- (increase)/decrease in other assets	2,093	(2,927)
- increase/(decrease) in payables	603	2,200
- increase/(decrease) in tax liabilities	1,647	-
Net cashflows used in operating activities	(14,761)	(4,342)

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 17. Auditors' Remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,400	2,200
- share registry services	3,023	-
- non audit services	1,400	11,017
	7,823	13,217

Note 18. Director and Related Party Disclosures

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

Heather Mary McCarthy
 Hamish Lonsdale
 Denis Newton Crake (Appointed 1 October 2011)
 John Anthony Wheal
 Jeffrey Michael Brooks
 Christopher Peter Bryan
 David Gotley Cooke
 Helen Mary Edwards O.A.M
 Martin Anthony Klabbers
 Carolyn Jane Neale
 Bernard Joseph Napthine
 Thomas Edward White
 Pieter Aart Roos
 Judith Rita Brooks (Resigned 10 April 2012)
 Spencer James Millear (Resigned 1 September 2011)

No 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
Heather Mary McCarthy	8,101	8,001
Hamish Lonsdale	8,601	8,501
Denis Newton Crake (Appointed 1 October 2011)	-	-
John Anthony Wheal	11,101	11,001
Jeffrey Michael Brooks	53,001	53,001
Christopher Peter Bryan	7,101	7,001
David Gotley Cooke	2,101	1
Helen Mary Edwards O.A.M	24,101	24,001

Notes to the financial statements (continued)

Note 18. Director and Related Party Disclosures (continued)

Directors' Shareholdings (continued)	2012	2011
Martin Anthony Klabbers	6,701	6,601
Carolyn Jane Neale	4,501	4,501
Bernard Joseph Napthine	5,101	5,001
Thomas Edward White	5,101	5,001
Pieter Aart Roos	5,101	5,001
Judith Rita Brooks (Resigned 10 April 2012)	601	501
Spencer James Millear (Resigned 1 September 2011)	1	1

The movement in directors' shareholdings during the year is outlined above.

Note 19. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2012	2011
	\$	\$

Note 20. Earnings Per Share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	12,425	(1,234)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	532,520	17,043

Note 21. Events Occurring After the Balance Sheet Date

Since the end of the financial year, construction of the branch premises has been completed, with the fit out to be undertaken in the near future. The Board expects the branch to be operational from its new premises, trading as Barwon Heads **Community Bank®**, from 6 September 2012.

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

Note 22. Contingent Liabilities

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

Notes to the financial statements (continued)

Note 23. Segment Reporting

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

Note 24. 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
47 Hitchcock Avenue	47 Hitchcock Avenue
Barwon Heads VIC 3227	Barwon Heads VIC 3227

Note 25. 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	51,226	511,835	369,307	-	-	-	-	-	-	-	3.92	0.00
Receivables	-	-	-	-	-	-	-	-	38,237	2,381	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	6,602	3,763	-	-	-	-	-	400	7,500	20.80	6.03
Payables	-	-	-	-	-	-	-	-	506	14,505	N/A	N/A

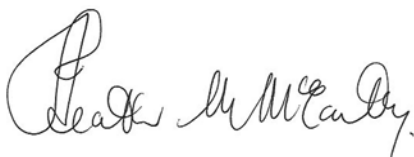
Directors' declaration

In accordance with a resolution of the directors of Barwon Heads Community Enterprise 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.



Heather Mary McCarthy,
Chairman

Signed on the 28th of August 2012.

Independent audit report



Independent auditor's report to the members of Barwon Heads Community Enterprise Limited

Report on the financial report

We have audited the accompanying financial report of Barwon Heads Community Enterprise 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 Barwon Heads Community Enterprise 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.

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 Barwon Heads Community Enterprise 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: 28 August 2012



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