



# Barwon Heads Community Enterprise Limited

ABN 68 149 465 396



# ANNUAL REPORT 2013

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# Chairman's report

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For year ending 30 June 2013

With great pleasure I present this second Chairman's report on behalf of the Board of Barwon Heads Community Enterprise Limited.

The past 12 months have been both exciting and challenging as we have guided our fledgling company through some significant milestones. First, attaining \$50 million in footings at the beginning of 2013 and now over \$60 million, before our first birthday in September. This is significantly ahead of our forecast budget as we build the company steadily toward a profit in a competitive financial market.

The unique **Community Bank®** business model has enabled us to invest in and support the following community projects in our first year:

- Barwon Heads Festival of the Sea
- Barwon Heads Primary School Easter Fair
- Barwon Heads Sustainability Group
- Barwon Heads Football and Netball Club
- Barwon Heads Kindergarten
- Barwon Heads Soccer Club
- Barwon Heads Cricket Club
- Barwon Heads Art Group
- And to provide funds for the placement of several defibrillators in strategic locations.

Funding for these projects would not have been possible if it were not for the fantastic support of our customers and the shareholders of our **Community Bank®** branch.

We are greatly encouraged by the level of confidence and support that the community of Barwon Heads has afforded us in our first year of trading.

We are optimistic that the healthy growth of our company will be sustained as the members of the community embrace the opportunity to avail themselves of the comprehensive range of financial services that our brand and branch has to offer and the community benefits that ensue.

The Board acknowledges the exemplary commitment and hard work of our Manager, Kim Ferry and her dedicated and competent staff. They have all made a significant contribution to the success of the business and strengthen our position as a customer focused entity in the community.

I wish to acknowledge the outstanding contribution and commitment to the **Community Bank®** Project in Barwon Heads made by the following Directors who retired during the course of the year:

**Bernard Naphine, Steering Committee Member, Director and Business Development Chair.**

On behalf of the Board and shareholders I wish to thank Bernard for his passion and personal commitment to the Board and the **Community Bank®** branch and wish him the very best for the future.

**Carolyn Neale, Steering Committee Member, Director and Business Development Secretary.**

On behalf of the Board and shareholders I wish to thank Carolyn for her exceptional organisational skills and collaboration in managing a range of community events and wish her every success for the future.

# Chairman's report (continued)

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**Helen Edwards, Steering Committee Member, Director and Business Development Committee member.**

On behalf of the Board and shareholders, I wish to thank Helen for her passion and her valuable community liaison role and wish her the best for the future.

I take this opportunity to acknowledge and thank the current Board members who will be standing down at the AGM, to congratulate those who are continuing in their respective roles and to welcome others who will be assuming new positions, as well as potential new Directors with a whole new skill set.

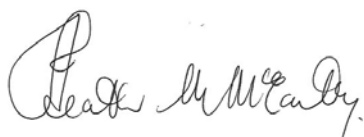
The Board of Directors has enormous depth and passion for the **Community Bank**® model. This is partnered with a vision for the growth of business and a strengthening of the community relationships in Barwon Heads.

Members of the Board of Directors have worked with integrity and enthusiasm to establish the strong company that we have today. As indicated previously, we have supported many community projects and we look forward to building and strengthening these and broadening the scope of our community connections in the future.

Banking today is faced with many new challenges and we must use these opportunities to respond and connect in a way that will see great benefits to our customers and shareholders. While the branch staff and Board of Directors work diligently and enthusiastically to ensure the success and longevity of the business, I encourage you, our shareholders, to embrace with us, our vision for growth. By banking with us and advocating our **Community Bank**® model, we will continue to make a bigger difference.

My term in office will conclude at the Annual General Meeting in November and I take this opportunity to thank you all for the honour and privilege of being the inaugural Chair of the Barwon Heads Community Enterprise Limited. While the journey from Steering Committee to a Board of Directors has been challenging, it has also been a most enjoyable and rewarding experience. The opportunity to connect with the many diverse groups and members of Barwon Heads community has been inspirational and is indicative of the strength and depth of the community spirit in Barwon Heads.

I would like to express my sincere gratitude for the support that I have received from members of the Executive, Tony Wheal, Secretary and Public Officer, Hamish Lonsdale, Deputy Chair and Denis Crake, Treasurer, as well as all Board members past and present, without whom you would not have this brilliant business and community asset.



**Heather McCarthy**  
**Chairman**

# Manager's report

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For year ending 30 June 2013

As at 30 June 2013 Barwon Heads **Community Bank**<sup>®</sup> Branch has been operating for 14 months.

During this time the support we have received from the Barwon Heads community and our shareholders has been exceptional. In the past financial year we have seen our business grow by almost \$30 million and the number of accounts grow to 1,170.

The amount of banking business held on our books as at 30 June 2013 is as follows:

Deposits	\$14.138 million
Loans	\$42.526 million
Total Business	\$56.664 million

This is an excellent result when compared to our three year forecast budget, which estimated the total amount of banking business held on our books at the end of year one to be \$31.645 million

We anticipate another strong year for 2013/14 and have set ourselves a challenging target once again.

## **2013/14 Growth Budget**

Deposit Growth	\$3 million
Lending Growth	\$11 million
Total Growth	\$14 million

Our strong financial performance has allowed us to contribute approximately \$25,000 in to our local community by way of sponsorships and donations. Our anticipated continuing strong growth will allow us to support our community more and more in years to come.

The year has been a very busy one for our branch, and I would like to thank our staff for their hard work, dedication and commitment. Thanks Stephanie, Alexandra, Noeline, Bec and Karen. I also wish to thank our hardworking Board for their support over the past year.

Most importantly, I would like to thank our shareholders and customers. Your continuing financial support will ensure that the Barwon Heads **Community Bank**<sup>®</sup> Branch will continue to be successful and this will allow us to contribute greatly to our community



**Kim Ferry**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2013

## 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

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 the Barwon Heads Traders and

Tourism Association and the Geelong/ Otway Tourism Association.

Interest in shares: 8,101

### **Denis Newton Crake**

Treasurer

Occupation: Retired

Experience & Expertise: Senior Finance/Commercial

roles in public companies. Fellow of the Certified

Practicing Accountants Australia.

Interest in shares: Nil

### **Jeffrey Michael Brooks**

Director

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

### **Hamish Lonsdale**

Vice Chairman

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

### **John Anthony Wheal**

Secretary

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. As

a foundation member of the **Community Bank®**

steering committee and then Board, Tony will resign as

a director at the AGM.

Interest in shares: 11,101

### **Christopher Peter Bryan**

Director

Occupation: Business Proprietor and Media Director

Experience & Expertise: Extensive 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)

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## Directors (continued)

### David Gotley Cooke

Director

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

### Martin Anthony Klabbers

Director

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

### Bernard Joseph Napthine

Director (Resigned 31 December 2012)

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

### Helen Mary Edwards O.A.M

Director (Resigned 31 October 2012)

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

### Carolyn Jane Neale

Director (Resigned 22 April 2013)

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

### Thomas Edward White

Director

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)

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## Directors (continued)

### Pieter Aart Roos

Director

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

### James Higbie Polhemus

Director (Appointed 18 April 2013)

Occupation: Retired

Experience & Expertise: Academic political scientist by training, with a BS from University of Tennessee, MA from University of Virginia and PhD from Duke University in The United States. Has taught in universities in the United States, Nigeria, Botswana and Australia. Involved in establishment of Deakin University and served as Dean of Social Sciences for eight years. Responsible for multi-million dollar Democracy and Good Governance projects for United States Agency for International Development in Zambia and Ethiopia. After leaving US AID in 2002, carried out short term consultancies for Irish Aid, the Canadian International Development Agency, the Carter Center, the Parliament of Ethiopia, United Nations Development Program, and the Netherlands Institute of International Relations.

Interest in shares: Nil

### Merilyn Joy Harris

Director (Appointed 25 July 2013)

Initially trained as secondary teacher but moved into education policy roles in State Department of Education and Department of Premier and Cabinet. 15 years experience in senior management in the tertiary education sector, including senior policy/secretariat roles at Monash and Deakin Universities.

More recent experience in a range of short-term education consultancy roles in the university sector.

Interest in shares: 1

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.



# Directors' report (continued)

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## 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 2013 \$	Year ended 30 June 2012 \$
	(90,303)	12,425

## Remuneration report

All directors perform their duties solely in a voluntary capacity and do not receive or expect any form of income.

Barwon Heads Community Enterprise Limited has accepted the **Community Bank**<sup>®</sup> Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Barwon Heads Community Enterprise Limited<sup>®</sup> branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. No directors elected to avail themselves of the package during the period under review.

## Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

## Matters Subsequent to the End of the Financial Year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future years.

## Likely Developments

The company will continue its policy of facilitating banking services to the community.

## Environmental Regulation

The company is not subject to any significant environmental regulation.

## Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest, except as disclosed in note 18 to the financial statements.

## Indemnification and Insurance of Directors and Officers

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

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

# Directors' report (continued)

## Directors' Meetings

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

Director	Number of Board Meetings	
	Eligible to Attend	Number Attended
Heather Mary McCarthy	13	13
Hamish Lonsdale	13	11
Denis Newton Crake	13	11
John Anthony Wheal	13	8
Jeffrey Michael Brooks	13	5
Christopher Peter Bryan	13	10
David Gotley Cooke	13	10
Helen Mary Edwards O.A.M (Resigned 31 October 2012)	6	3
Martin Anthony Klabbers	13	8
Carolyn Jane Neale (Resigned 21 April 2013)	11	10
Bernard Joseph Napthine (Resigned 31 December 2012)	7	6
Thomas Edward White	13	9
Pieter Aart Roos	13	6
James Higbie Polhemus (Appointed 18 April 2013)	2	2

## Non Audit Services

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

# Directors' report (continued)

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## **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 11.

Signed in accordance with a resolution of the board of directors at Barwon Heads, Victoria on 23 August 2013.

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

**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 2013 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: 23 August 2013

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 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	422,111	65,059
Employee benefits expense		(267,911)	(26,340)
Charitable donations, sponsorship, advertising and promotion		(26,987)	(2,366)
Occupancy and associated costs		(92,069)	-
Systems costs		(29,927)	-
Depreciation and amortisation expense	5	(42,817)	(3,666)
Finance costs	5	(284)	(394)
General administration expenses		(83,936)	(15,247)
<b>Profit/(loss) before income tax (expense)/credit</b>		<b>(121,820)</b>	<b>17,046</b>
Income tax (expense)/credit	6	31,517	(4,621)
<b>Profit/(loss) after income tax (expense)/credit</b>		<b>(90,303)</b>	<b>12,425</b>
<b>Total comprehensive income for the year</b>		<b>(90,303)</b>	<b>12,425</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	20	(11.05)	2.33

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	431,820	420,533
Trade and other receivables	8	22,945	41,717
Current tax assets	11	-	834
<b>Total Current Assets</b>		<b>454,765</b>	<b>463,084</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	153,034	239,877
Intangible assets	10	84,336	106,334
Deferred tax assets	11	29,870	-
<b>Total Non-Current Assets</b>		<b>267,240</b>	<b>346,211</b>
<b>Total Assets</b>		<b>722,005</b>	<b>809,295</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	4,765	2,803
Borrowings	13	4,542	4,163
Provisions		2,319	-
<b>Total Current Liabilities</b>		<b>11,626</b>	<b>6,966</b>
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	11	-	1,647
<b>Total Current Liabilities</b>		<b>-</b>	<b>1,647</b>
<b>Total Liabilities</b>		<b>11,626</b>	<b>8,613</b>
<b>Net Assets</b>		<b>710,379</b>	<b>800,682</b>
<b>Equity</b>			
Issued capital	14	789,491	789,491
Retained earnings/(Accumulated losses)	15	(79,112)	11,191
<b>Total Equity</b>		<b>710,379</b>	<b>800,682</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2011</b>	<b>483,841</b>	<b>(1,234)</b>	<b>482,607</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>12,425</b>	<b>12,425</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	305,650	-	305,650
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2012</b>	<b>789,491</b>	<b>11,191</b>	<b>800,682</b>
<b>Balance at 1 July 2012</b>	<b>789,491</b>	<b>11,191</b>	<b>800,682</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(90,303)</b>	<b>(90,303)</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2013</b>	<b>789,491</b>	<b>(79,112)</b>	<b>710,379</b>

The accompanying notes form part of these financial statements.



# Financial statements (continued)

## Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		460,591	50,271
Payments to suppliers and employees		(533,967)	(82,744)
Interest received		18,089	18,987
Interest paid		(284)	(394)
Income taxes paid		834	(881)
<b>Net cash used in operating activities</b>	<b>16</b>	<b>(54,737)</b>	<b>(14,761)</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(15,773)	(239,877)
Refund of fitout deposit paid		81,797	
Payments for intangible assets		-	(110,000)
<b>Net cash provided by investing activities</b>		<b>66,024</b>	<b>(349,877)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of shares		-	302,550
Payment for share issue costs		-	(18,234)
Repayment of borrowings		-	(4,378)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>279,938</b>
<b>Net increase/(decrease) in cash held</b>		<b>11,287</b>	<b>(84,700)</b>
Cash and cash equivalents at the beginning of the financial year		420,533	505,233
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>431,820</b>	<b>420,533</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

#### 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**<sup>®</sup> branch at Barwon Heads, Victoria.

# Notes to the financial statements (continued)

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## 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.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### b) Revenue (continued)

#### Revenue calculation (continued)

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 and February 2013 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**<sup>®</sup> partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**<sup>®</sup> 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)

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## 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)

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## 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)

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## 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)

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## 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)

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## 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 2013 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.

### **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

# Notes to the financial statements (continued)

## Note 3. Critical Accounting Estimates and Judgements (continued)

### Impairment of assets (continued)

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.

	2013 \$	2012 \$
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## Note 4. Revenue from Ordinary Activities

### Operating activities:

- services commissions	399,169	38,382
- other revenue (grants & donations)	35	2,200
<b>Total revenue from operating activities</b>	<b>399,204</b>	<b>40,582</b>

### Non-operating activities:

- interest received	18,089	24,477
- rent received	4,818	-
<b>Total revenue from non-operating activities</b>	<b>22,907</b>	<b>24,477</b>
<b>Total revenues from ordinary activities</b>	<b>422,111</b>	<b>65,059</b>

## Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
<b>Note 5. Expenses</b>			
Depreciation of non-current assets:			
- property, plant & equipment		12,922	-
- leasehold improvements		7,897	-
		<b>20,819</b>	<b>-</b>
Amortisation of non-current assets:			
- franchise fee		2,000	333
- franchise establishment fee		19,998	3,333
		<b>21,998</b>	<b>3,666</b>
<b>Total depreciation and amortisation</b>		<b>42,817</b>	<b>3,666</b>
Finance costs:			
- interest paid		<b>284</b>	<b>394</b>

## Note 6. Income Tax Expense/(Credit)

The components of tax expense comprise:

- Current tax	-	47
- Future income tax benefit attributed to losses	(29,016)	-
- Movement in deferred tax	(2,501)	1,647
- Recoupment of prior year tax losses	-	2,927
	<b>(31,517)</b>	<b>4,621</b>

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)	(121,820)	17,046
Prima facie tax on profit/(loss) from ordinary activities at 30%	(36,546)	5,114
Add tax effect of:		
- non-deductible expenses	6,708	1,186
- timing difference expenses	2,501	(1,647)
- other deductible expenses	(1,679)	(1,679)
	<b>(29,016)</b>	<b>2,974</b>
	(2,501)	1,647
<b>Movement in deferred tax charged to statement of comprehensive income</b>	<b>11</b>	<b>(31,517)</b>
		<b>4,621</b>

# Notes to the financial statements (continued)

	2013 \$	2012 \$
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## Note 7. Cash and Cash Equivalents

Cash at bank and on hand	34,292	51,226
Term deposits	397,528	369,307
	<b>431,820</b>	<b>420,533</b>

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	34,292	51,226
Term deposits	397,528	369,307
	<b>431,820</b>	<b>420,533</b>

## Note 8. Trade and Other Receivables

Trade receivables	15,168	10,900
Other receivables and accruals	7,777	30,817
	<b>22,945</b>	<b>41,717</b>

## Note 9. Property, Plant and Equipment

### Plant and equipment

At cost	29,475	11,150
Less accumulated depreciation	(12,922)	-
	<b>16,553</b>	<b>11,150</b>

### Leasehold improvements

At cost	144,378	228,727
Less accumulated depreciation	(7,897)	-
	<b>136,481</b>	<b>228,727</b>

<b>Total written down amount</b>	<b>153,034</b>	<b>239,877</b>
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### Movements in carrying amounts:

### Plant and equipment

Carrying amount at beginning	11,150	-
Reclassification of fit out	14,532	-
Additions	3,793	11,150
Disposals	-	-
Less: depreciation expense	(12,922)	-
<b>Carrying amount at end</b>	<b>16,553</b>	<b>11,150</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 9. Property, Plant and Equipment (continued)

#### Leasehold improvements

Carrying amount at beginning	228,727	-
Reclassification of fit out	(14,532)	-
Refund on building works deposit	(81,797)	-
Additions	11,980	228,727
Disposals	-	-
Less: depreciation expense	(7,897)	-
<b>Carrying amount at end</b>	<b>136,481</b>	<b>228,727</b>
<b>Total written down amount</b>	<b>153,034</b>	<b>239,877</b>

The fit out of the branch was completed during the period under review. The cost of the fit out came well under budget, thus, Barwon Heads was refunded an amount of \$81,797. Some items initially classified as leasehold improvements were subsequently re-classified as property plant and equipment upon completion of the fit-out.

	2013 \$	2012 \$
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### Note 10. Intangible Assets

#### Franchise fee

At cost	10,000	10,000
Less: accumulated amortisation	(2,332)	(333)
	<b>7,668</b>	<b>9,667</b>

#### Establishment fee

At cost	100,000	100,000
Less: accumulated amortisation	(23,332)	(3,333)
	<b>76,668</b>	<b>96,667</b>
<b>Total written down amount</b>	<b>84,336</b>	<b>106,334</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 11. Tax</b>		
<b>Current:</b>		
<b>Income tax refundable</b>	-	<b>834</b>
<b>Non-Current:</b>		
<b>Deferred tax assets</b>		
- accruals	602	-
- employee provisions	696	-
- tax losses carried forward	29,016	-
	<b>30,314</b>	<b>-</b>
<b>Deferred tax liability</b>		
- accruals	444	1,647
- deductible prepayments	-	-
	<b>444</b>	<b>1,647</b>
<b>Net deferred tax asset/(liability)</b>	<b>29,870</b>	<b>(1,647)</b>

## Note 12. Trade and Other Payables

Trade creditors	309	506
Other creditors and accruals	4,456	2,297
	<b>4,765</b>	<b>2,803</b>

## Note 13. Borrowings

### Current:

Loans - Directors	400	400
Loan - Hunter Premium Funding Limited	4,142	3,763
	<b>4,542</b>	<b>4,163</b>

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 Insurance. There are twelve instalments payable with total interest of \$403.02 charged over the life of this facility.



# Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 14. Contributed Equity</b>		
817,464 Ordinary shares fully paid (2012:817,464)	817,464	817,464
Less: equity raising expenses	(27,973)	(27,973)
	<b>789,491</b>	<b>789,491</b>

## **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.

	2013 \$	2012 \$
<b>Note 15. Retained Earnings/Accumulated Losses</b>		
Balance at the beginning of the financial year	11,191	(1,234)
Net (loss)/profit from ordinary activities after income tax	(90,303)	12,425
<b>Balance at the end of the financial year</b>	<b>(79,112)</b>	<b>11,191</b>

## 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	(90,303)	12,425
Non cash items:		
- depreciation and amortisation of non-current assets	42,817	3,666
Changes in assets and liabilities:		
- (increase)/decrease in receivables	18,772	(35,195)
- (increase)/decrease in other assets	(29,036)	2,093
- increase in payables	1,962	603
- increase/(decrease) in provisions	2,319	-
- increase/(decrease) in borrowings	379	-
- increase/(decrease) in tax liabilities	(1,647)	1,647
<b>Net cashflows used in operating activities</b>	<b>(54,737)</b>	<b>(14,761)</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 17. Auditor's Remuneration</b>		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,400
- share registry services	1,550	3,023
- non audit services	1,552	1,400
	<b>6,952</b>	<b>7,823</b>

## 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  
 John Anthony Wheal  
 Jeffrey Michael Brooks  
 Christopher Peter Bryan  
 David Gotley Cooke  
 Helen Mary Edwards O.A.M (Resigned 31 October 2012)  
 Martin Anthony Klabbers  
 Carolyn Jane Neale (Resigned 21 April 2013)  
 Bernard Joseph Naphthine (Resigned 31 December 2012)  
 Thomas Edward White  
 Pieter Aart Roos  
 James Higbie Polhemus (Appointed 18 April 2013)

Transactions between related parties are on normal commercial terms and conditions and no more favourable than those available to other parties unless otherwise stated.

	2013 \$	2012 \$
- Thomas White is the Managing Principal of Coulter Roache Lawyers and provided general legal advice to the company as and when required.	350	-
	<b>350</b>	-
- Christopher Bryan currently owns and runs a specialised marketing and public relations company in Geelong. The company's services were utilised during the year under review.	617	-
	<b>617</b>	-

No Director's fees have been paid as the positions are held on a voluntary basis.

# Notes to the financial statements (continued)

## Note 18. Director and Related Party Disclosures (continued)

<b>Directors Shareholdings</b>	<b>2013</b>	<b>2012</b>
Heather Mary McCarthy	8,101	8,101
Hamish Lonsdale	8,601	8,601
Denis Newton Crake	-	-
John Anthony Wheal	11,101	11,101
Jeffrey Michael Brooks	53,001	53,001
Christopher Peter Bryan	7,101	7,101
David Gotley Cooke	2,101	2,101
Helen Mary Edwards O.A.M (Resigned 31 October 2012)	24,101	24,101
Martin Anthony Klabbers	6,701	6,701
Carolyn Jane Neale (Resigned 21 April 2013)	4,501	4,501
Bernard Joseph Napthine (Resigned 31 December 2012)	5,101	5,101
Thomas Edward White	5,101	5,101
Pieter Aart Roos	5,101	5,101
James Higbie Polhemus (Appointed 18 April 2013)	-	-

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.

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>

## Note 20. Earnings Per Share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(90,303)	12,425
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	817,464	532,520

# Notes to the financial statements (continued)

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## Note 21. Events Occurring After the Balance Sheet Date

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

## Note 22. Contingent Liabilities

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

## Note 23. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> 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	70 Hitchcock Avenue
Barwon Heads VIC 3227	Barwon Heads VIC 3227

# Notes to the financial statements (continued)

## 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					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	397,528	51,226		369,307	-	-	-	-	-	-	3.99	3.92
Receivables	-	-	-	-	-	-	-	-	16,633	38,237	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	4,142	3,763	-	-	-	-	400	400	-	20.80
Payables	-	-	-	-	-	-	-	-	309	506	N/A	N/A

# Directors' declaration

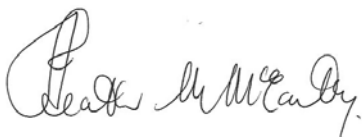
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In accordance with a resolution of the directors of Barwon Heads Community Enterprise Limited, we state that:

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 2013 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 23rd of August 2013.



# 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 2013, 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.

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

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# Independent audit report (continued)

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## 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.

## 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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



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

Dated: 23 August 2013









Barwon Heads **Community Bank**® Branch  
70 Hitchcock Avenue, Barwon Heads VIC 3227  
Phone: (03) 5254 1700 Fax: (03) 5254 1301

Franchisee: Barwon Heads Community Enterprise Limited  
47 Hitchcock Avenue, Barwon Heads VIC 3227  
ABN: 68 149 465 396

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