

Dunkeld & District **Community Bank®** Branch

annual report 2011



Grampians Regional
Community Enterprises Limited

ABN 29 139 414 234

ANNUAL REPORTS

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CHAIRMAN'S ANNUAL REPORT

JULY 2010 TO JUNE 2011

I present this 1st Annual Report for the Grampians Regional Community Enterprises Limited (GRCEL) very proud of what has been accomplished and very aware of much more to be achieved.

Firstly I wish to thank all our banking customers. Your faith, commitment and effort to move across and bank with our local branch are the most important factors in our ongoing success.

Our Branch opening in February was an outstanding success. Approximately 300 people attended and celebrated the opening.

Since opening in February to June 2011, Funds under Management are in line with estimates as reported in the Feasibility Study, which is an excellent result. (The Branch Managers report will elaborate on figures further.)

THE STAFF

Our first few months after opening has been a steep learning curve for all, and we continue to learn. Branch Manager Anna Watson and her staff have worked hard and I congratulate them for their dedication and achievements. I often hear positive comments from the public with regard to their friendly, efficient & personal service.

OUR BOARD

Best wishes and many thanks to Angela Field who is stepping down and not seeking re-election to the board. Ange began as a member of the steering committee which started this journey in 2008 and was our first GRCEL Treasurer.

Further, Christy Lazzari will be stepping down as a director. Christy has been invaluable in dealing with Due Diligence, especially at our Prospectus Stage; but also in establishing the Low Volume Market mechanism to allow our shareholders to trade correctly. Many thanks to Christy.

Furthermore, I simply wish to thank each Board member for their energy, commitment and dedication. The board functions well with each director being involved in specific areas. Most importantly we all work as one, supporting the communities which make up the GRCEL.

Within the Board we have 4 main committees. Three are compliance-related and are Audit and Governance, HR and Facilities & Assets. With the understandable level of regulation in Australia which relates to the banking industry, our obligations to report on how we meet these obligations are taken very seriously by your board. This is constant

CHAIRMAN'S ANNUAL REPORT

CONTINUED

and very time consuming. I believe we are achieving these aspects particularly well. Much of this workload occurs at a Board level and is very well supported by the Bendigo Bank.

The other committee undertakes the important role of Business Development.

This consists of 3 areas, Growth, Community Funding (Sponsorships) and Public Relations / Marketing. Working with Anna and the wider Bendigo Bank network, the challenge is to build our customer base and product holding, achieve continued growth and sustainable profitability. Remaining visible, investing back into our communities, maintaining shareholder and community awareness of our success, reviewing progress and adopting new ideas are all important aspects.

COMMUNITY FUNDING *(Sponsorships)*

Our financial contribution to our communities is made possible through The Market Development Fund (MDF). The MDF is financial support from the Bendigo Bank which is a percentage payment based on the level of funds under management on a monthly basis. Using this money, we can still distribute funds even though we are not yet making a trading profit.

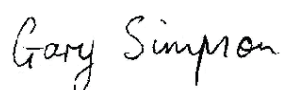
Our policy is to distribute funds as they become available. Community funding is an important marketing tool to grow our business and we look to invest in groups who are supportive of and help promote our Community Bank®. Over \$20,000 has been distributed as at June 2011, by June 2012 this should be well over \$30,000.

COLERAINE COMMUNITY BANK® - A SUCCESS STORY

The journey and success at Coleraine is a real local, successful example of what can be achieved by a Community Bank® which is well run and supported by the community.

Coleraine Community Bank® opened 8 years ago, with no business on the books. Last year they granted \$103,000 to the local hospital. For the 2010/2011 financial year they generated a net profit of over \$115,000 for their Community.

Only by continuing to grow our business can we reach the sort of success which we see in Coleraine. Only by growing our business will our communities and shareholders benefit from the profits generated from our success.



Gary Simpson

Chair

Grampians Regional Community Enterprises Limited.

MANAGER'S REPORT

FOR YEAR ENDING 30 JUNE 2011

It gives me great pleasure in presenting my inaugural annual report to the Board and shareholders for the 2010/2011 financial year.

The Branch, in operation since opening its doors 8th February 2011, has steadily increased its portfolio to close of business 30 June \$15.087 million

A closer look of our business mix showed Deposits at \$6.975 million; Lending \$6.172 million and other business (Agribusiness, Rural Bank formerly Elders, Financial Planning, Superannuation, Leveraged Equities, Community Sector Banking) \$1.940 million.

A snapshot of customer numbers at 30 June 2011 totalled 339 with 515 accounts. Bendigo bank offers specialists in Agribusiness and Business Banking. Regular visits from these specialists are made to meet this need. The Branch also has a Financial Planner who provides advice in superannuation, shares, retirement etc. Insurance is another product sold that is very competitive in today's market.

Staff servicing the Branch are Customer Relationship Officer Pedita van Hees, Customer Service Officers Susan Tully and Jahra Horsten.

The Bank is in its early stages; though with current business demands, is experiencing a positive future with budget met and the business ahead of its plan. Servicing our customers is our main priority; it is what separates us from the other banks.

Personalised friendly customer service, making the customer feel welcome and relaxed so that we are able to offer them the best financial product, is our approach.

Thank you to Chairman Gary Simpson and his Board of Directors. Their support, motivation, belief and total enthusiasm towards the **Community Bank®** model will be the reason the company heads in the right direction. A variety of people with their own individual personalities brought together for the one concept – a **Community Bank®** model which benefits the whole community.

Most importantly thank you to our customers who, without a doubt, are the reason the Branch will thrive and succeed and move forward positively.

Lastly, I'd like to take this opportunity to personally thank my dedicated staff and the Bendigo & Adelaide Bank Limited staff for their assistance, guidance and support throughout our journey.



Anna Watson
Branch Manager
Dunkeld and District Community Bank® Branch

DIRECTORS

DETAILS OF THE DIRECTORS OF THE COMPANY ARE AS FOLLOWS

Name Gary John Simpson

Date of Birth 07 December 1959

Occupation Wool Broker

Background Information

Gary lives in Dunkeld with his wife and has three adult children. He was born in Bacchus Marsh and spent his childhood on the family sheep farm. He has spent his working life in the wool industry and is currently employed as a wool broker. Since moving to Dunkeld in 2003 he has been a committeeman and Vice Captain at the local golf club, founding chairman of Hockey Monivae, Secretary of the Grampians Cricket Club and is a member of the Dunkeld Community Centre committee.

Resides 21 Henty Street, Dunkeld Vic 3294

Name Timothy John Fletcher Sanders

Date of Birth 30 May 1949

Occupation Semi-Retired Disability Worker

Background Information

Tim is a retired business manager who now works in the Disability Services sector. Originally from the UK he has a BA (Hons) Arts Degree and has had extensive experience in IT, most of it with a large UK Retail Bank. He moved to Australia in 1992 with his wife and two daughters. Tim has led an active community life as President of the Hamilton Regional Business Association, been a member of the inaugural Dunkeld Mosaic of Arts Committee and has co-founded a local community choir.

Resides 195 Old Ararat Road, Dunkeld Vic 3294

Name Pamela Dawn Coates

Date of Birth 13 October 1952

Occupation Administrator/Farmer

Background Information

Pamela grew up on a farm near Heywood. She now runs a mixed family farm operation at Cavendish. Pam has experience of management, administration and accounting within the private sector and public service as well as involvement in various community committees. She is currently employed by a large community services organisation dealing primarily with foster care as well as providing accounting support for a local branch of an international wool buying firm.

Resides "Woolstock", 9644 Natimuk-Hamilton Road (Balmoral Rd), Cavendish. Vic 3314

Name Penny Fraser

Date of Birth 23 July 1973

Occupation Administration

Background Information

Penny grew up on a dairy farm and attended Heywood Consolidated School and subsequently Hamilton and Alexandra College. She has a Bachelor of Applied Science (Prosthetics and Orthotics) and has worked for several years in this field. Penny now lives on a farm at Glenthompson with her husband and daughter. As well as running the farm in partnership with her husband, Penny currently works in administration for a local health service and is a member of the local hall committee and local Red Cross.

Resides 222 Lovatdale Lane, Glenthompson Vic 3293

Name Brendan John Kelly

Date of Birth 13 May 1968

Occupation Business Owner

Background Information

Brendan is the owner of a long standing rural merchandise, fertiliser and hardware business in Penshurst and has run a similar business in partnership at Dunkeld since 2005. Brendan is fourth generation of the Kelly family to live and work in Penshurst and district. He currently resides in Penshurst with his wife and three children. He and his family are active in

DIRECTORS

CONTINUED

the local community being involved in the football netball club, pre school, St Joseph's School and swimming pool.

Resides 97 Cobb Street, Penshurst Vic 3289

Name Christy Lee Lazzari

Date of Birth 23 July 1977

Occupation Lawyer (currently on maternity leave)

Background Information

Christy currently resides in Dunkeld with her husband and three children. She spent her early school years in Hamilton before completing a Bachelor of Arts Business at Ballarat University. After working in Melbourne for two years she returned to Hamilton and worked with a local law firm while completing her Bachelor of Laws by correspondence.

Resides 160 Sturgeon Lane, Dunkeld Vic 3294

Name Scott Andrew Olsen

DOB 18/02/1965

Occupation Police Officer

Background Information

Scott is the sole police officer at Cavendish having been stationed there since 1999. Scott has been a member of Victoria Police for 25 years. He is married with three children and is actively involved in a number of community organisations including the Cavendish RSL, Cavendish Recreation Ground Committee, Secretary/Treasurer of the Cavendish Recreation Ground, Vice President of the Balmoral Bluelight and active as a member of several other town committees.

Resides 29 Scott Street Cavendish 3314

Name Anthony John Page

Date of Birth 27 December 1963

Occupation Business Proprietor & Electrical Contractor

Background Information

Anthony has lived in Penshurst all his life. He is married with two teenage children. As a member of the local fire brigade, Apex Club and Advance Penshurst he has undertaken a number of key roles. He started his working life as an electrical apprentice in 1981 before purchasing his current service station and electrical contracting business in 1986.

Resides 1 French Street, Penshurst Vic 3289

Name Angela Jayne Field

Date of Birth 09 March 1972

Occupation Accounts Administrator

Background Information

Angela is married with two children aged six and eight. She and her husband run a wool growing property in Mirranatwa, north of Dunkeld. With an education degree she has spent many years teaching in the region and maintained an active role in many sporting clubs with an emphasis on the development of junior sport.

Resides 118 Wills Street, Dunkeld Vic 3294

DIRECTORS

CONTINUED

Name Craig Gordon Oliver

Date of Birth 14 March 1965

Occupation Farmer

Background Information

Craig has an Associate Diploma of Farm Management and a Graduate Diploma of Business Studies (Finance and Management). Living in Dunkeld since 1991 with his wife and children, he worked for several national and multi national agribusiness companies before pursuing a full time farming career running fine wool merinos, prime lambs and Freisian bull beef cattle.

Craig has served on various industry and community committees, is currently a member of the Pannyabyr Landcare Group and the Dunkeld CFA.

Resides 2027 Dunkeld – Blackwood Road, Dunkeld Vic 3294

Name James William Scholfield

Date of Birth 16 January 1986

Occupation Farmer

Background Information

James has managed his farming enterprise for the last 30 years. He has worked as a wool classer and more recently as Regional Officer with Greening Australia. He is President of the Woodhouse Hall and Recreational Reserve Committee.

Resides 4025 Hamilton-Chatsworth Road, Glenthompson VIC 3293

Name Carly Renee Quinn

Date of Birth 8 January 1986

Occupation Sales Manager/ Marketing Officer

Background Information

Carly grew up on a farm in Cavendish, was educated in Hamilton and now lives in Dunkeld with her partner. She is currently employed as the Sales Manager with a local radio network, a position she has just been promoted to after 7 years at the station. She is an active member of the community, plays netball for Glenthompson/Dunkeld Football/Netball Club and a Standing Tall Mentor.

Resides 134 Bellicourt Road, Dunkeld VIC 3294

AUDITOR'S INDEPENDENCE DECLARATION



UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE MEMBERS OF GRAMPIANS REGIONAL
COMMUNITY ENTERPRISES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code professional conduct in relation to the audit.

Coffey Hunt
COFFEY HUNT
CHARTERED ACCOUNTANTS

N.L. McLean
N.L. MCLEAN
PARTNER

Dated at Warrnambool: 16th September 2011

199 Koroit Street
P.O Box 677
Warrnambool Vic 3260
TELEPHONE: (03) 5562 3544
FAX (03) 5562 0669
WEBSITE www.coffeyhunt.com.au

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

DIRECTOR'S REPORT

Your directors present their report for Grampians Regional Community Enterprises Limited "the company" for the financial year ended 30 June 2011.

The names of the directors in office at any time during or since the end of the year are:

Pamela Dawn Coates

Penny Fraser

Brendan John Kelly

Christy Lee Lazzari

Anthony John Page

Timothy John Fletcher Sanders (director and secretary)

Gary John Simpson (chairman)

Angela Jayne Field

Craig Gordon Oliver

Carly Renee Quinn

James William Scholfield (appointed 3rd November 2010)

Scott Andrew Olsen

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The profit/(loss) of the company for the year ended 30 June 2011 amounted to (\$133,628)

The principal activities of the company during the course of the financial year were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

No significant change in the nature of these activities occurred during the year.

The company commenced operations from its new premise in January 2011. The company issued a prospectus during the previous financial year with 623,389 shares being allotted at various times during the financial year.

No matters or circumstances have arisen since the end of the financial year which 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 financial years, apart from the allocation of shares as identified above.

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

No dividends have been paid or provided for.

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

FINANCIAL REPORT

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	Number of board meetings eligible to attend	Number attended
Pamela Dawn Coates	12	12
Penny Fraser	12	12
Brendan John Kelly	12	9
Christy Lee Lazzari	12	10
Anthony John Page	12	11
Timothy John Fletcher Sanders	12	10
Gary John Simpson	12	12
Angela Jayne Field	12	7
Craig Gordon Oliver	12	11
Carly Renee Quinn	12	10
James William Scholfield	8	6
Scott Andrew Olsen	8	5

The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of premium paid was \$5,140.

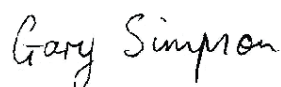
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the Board of Directors



Gary Simpson

Dated: 23 / 09/ 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		30 June 2011	30 June 2010
	Note	\$	\$
Revenue from ordinary activities	3	79,752	12,209
Other revenue		6,616	11,755
Salaries and employee benefits		(106,269)	
Charitable donations, sponsorship, advertising and promotion		(7,986)	(8,602)
Occupancy and associated costs		(16,778)	-
System costs		(15,361)	-
Depreciation and amortisation expenses		(15,411)	-
General administration expenses		(58,191)	(4,639)
Profit/(loss) before income tax		(133,628)	10,723
Income tax expense	5	-	(3,217)
Profit/(loss) for the year		(133,628)	7,506
Total comprehensive income for the year		(133,628)	7,506
Basic earnings per share (dollars)		NIL	682.36

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	30 June 2011 \$	30 June 2010 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	361,881	433,051
Other current assets	7	6,405	22,864
TOTAL CURRENT ASSETS		368,286	455,915
NON-CURRENT ASSETS			
Property, plant and equipment	8	33,250	-
Intangible assets	9	99,090	110,000
TOTAL NON-CURRENT ASSETS		132,340	110,000
TOTAL ASSETS		500,626	565,915
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	8,468	1,800
Financial liabilities	11	-	553,381
Tax liabilities		-	3,217
Provisions	12	5,389	-
TOTAL CURRENT LIABILITIES		13,857	558,398
TOTAL LIABILITIES		13,857	558,398
NET ASSETS		486,769	7,517
EQUITY			
Issued capital	13	612,891	11
Retained earnings/(losses)		(126,122)	7,506
TOTAL EQUITY		486,769	7,517

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	Share Capital — Ordinary Shares	Retained Earnings (Accumulated Losses)	Total
Note	\$	\$	\$
Balance at 11 September 2009	-	-	-
Profit/(Loss) After Income Tax	-	7,506	7,506
Issued capital	11	-	11
Balance at 30 June 2010	11	7,506	7,517
Balance at 1 July 2010	11	7,506	7,517
Profit/(Loss) After Income Tax		(133,628)	(133,628)
Issued capital	612,880	-	612,880
Balance at 30 June 2011	612,891	(126,122)	486,769

The accompanying notes form part of these financial statements.

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	30 June 2011 \$	30 June 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and commissions received		66,843	22,393
Payments to suppliers and employees		(179,286)	(34,305)
Interest received		19,525	1,571
Net cash provided by/(used in) operating activities	14	(92,918)	(10,341)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(37,751)	-
Payment for franchising and establishment fee		-	(110,000)
Net cash provided by/(used in) investing activities		(37,751)	(110,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the allotment of shares		59,499	11
Net proceeds from the application for shares		-	553,381
Net cash provided by/(used in) financing activities		59,499	553,392
Net (decrease)/increase in cash held		(71,170)	433,051
Cash at beginning of the period		433,051	-
Cash at end of financial period	6	361,881	433,051

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Basis and Conventions

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

Australian Accounting Standards set our accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

The preparation of financial statements in conformity with AIFRS requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies.

Accounting Policies

a. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax assets are yet to be recognised as it is not yet probable that future tax profits will be available against which deductible temporary differences can be utilised.

b. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the company 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.

(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.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

c. Impairment of Assets

At the end of each reporting period, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

d. **Intangibles**

The franchise and establishment fee is recognised at the cost of acquisition. The fee has a finite life and is carried at cost less any accumulated amortisation and impairment losses. The franchise and establishment fee is amortised over its effective life of five years commencing from the opening of the branch.

e. **Plant and Equipment**

Plant and equipment are measured on a cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

f. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks.

g. **Revenue and Other Income**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax.

h. **Depreciation**

The depreciable amount of all fixed assets is depreciated on a systematic basis over their useful lives commencing from the time the assets is held ready for use.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

i. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j. **Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

k. **Contributed Equity**

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the allotment of ordinary shares are to be recognised directly in equity as a reduction in the share proceeds received.

l. **Earnings per share**

Basic earnings per share is calculated by dividing the profit/(loss) after tax by the weighted average number of ordinary shares outstanding during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

NOTE 2 FINANCIAL RISK MANAGEMENT

The company's activities expose it to a limited variety of financial risks, including interest rate risk, credit risk, and liquidity 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

a. 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 Ltd.

b. 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 Ltd mitigates this risk significantly.

c. Interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd and are 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 the Bendigo and Adelaide Bank Ltd mitigates this risk significantly.

d. 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.

e. 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

(i) 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%.

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 2011 can be seen in the statement of comprehensive income.

(ii) 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 2011 can be seen in the statement of comprehensive income.

	Note	2011	2010
		\$	\$
NOTE 3: REVENUE			
Commissions received		60,227	10,638
Interest received		19,525	1,571
		<u>79,752</u>	<u>12,209</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

	Note	2011 \$	2010 \$
NOTE 4: AUDITORS REMUNERATION			
Auditors remuneration – auditing or reviewing the financial report		1,800	1,800
NOTE 5: INCOME TAX EXPENSE			
The components of income tax expense comprise:			
Current tax		-	3,217
Deferred tax		-	-
		-	3,217
NOTE 6: CASH AND CASH EQUIVALENTS			
Cash at bank		92,356	131,773
Term Deposits		269,525	301,278
		361,881	433,051
Reconciliation of cash			
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:			
Cash at bank		92,356	131,773
Term Deposits		269,525	301,278
		361,881	433,051
NOTE 7: OTHER CURRENT ASSETS			
Tax Assets		5,905	12,864
Prepayments		-	10,000
Other sundry receivables		500	-
		6,405	22,864
NOTE 8: PROPERTY, PLANT AND EQUIPMENT			
Furniture and fittings			
At cost		24,209	-
Less accumulated depreciation		(1,555)	-
		22,654	-
Computer software			
At cost		10,409	-
Less accumulated depreciation		(2,602)	-
		7,807	-

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

NOTE 8: PROPERTY, PLANT AND EQUIPMENT continued

	Note	2011 \$	2010 \$
Improvements			
At cost		1,363	-
Less accumulated depreciation		(12)	-
		<u>1,351</u>	<u>-</u>
Low value pool			
At cost		1,770	-
Less accumulated depreciation		(332)	-
		<u>1,438</u>	<u>-</u>
		<u>33,250</u>	<u>-</u>

NOTE 9: INTANGIBLE ASSETS

Franchise and Establishment Fee at Cost	110,000	110,000
Less accumulated amortisation	(10,910)	-
	<u>99,090</u>	<u>110,000</u>

NOTE 10: TRADE AND OTHER PAYABLES

Other creditors and accruals	8,468	1,800
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NOTE 11: FINANCIAL LIABILITIES

Advances held on deposit	-	563,889
Less: transaction costs associated with issue of the prospectus	-	(10,508)
	<u>-</u>	<u>553,381</u>

NOTE 12: PROVISIONS

Annual leave	5,389	-
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NOTE 13: ISSUED CAPITAL

Fully paid ordinary shares	623,400	11
Less transaction costs arising on share issue	(10,508)	-
	<u>612,892</u>	<u>11</u>

	No.	No.
a. Ordinary Shares		
At the beginning of the reporting period	11	-
Shares issued during the year	623,389	11
At reporting date	<u>623,400</u>	<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

NOTE 13: ISSUED CAPITAL continued

Rights attached to shares

a. Voting rights

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

The purpose of giving each member only one vote, regardless of the number of Shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the branch have the same ability to influence the operation of the company.

Dividends

- b. 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 Ltd 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).

Transfer

- c. 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").

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

	2011 \$	2010 \$
NOTE 14: CASH FLOW INFORMATION		
Profit/(loss) from ordinary activities after income tax	(133,628)	7,506
Non-cash flows in profit:		
Depreciation	4,501	
Amortisation	10,910	
Changes in assets and liabilities:		
(Increase)/decrease in other assets	17,279	(22,864)
Increase/(decrease) in payables	-	1,800
Increase/(decrease) in provisions	12,057	
Increase/(decrease) in tax liabilities	(4,037)	3,217
Net cash provided by/(used in) operating activities	<u>(92,918)</u>	<u>(10,341)</u>

NOTE 15: DIRECTOR AND RELATED PARTY DISCLOSURES

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

Pamela Dawn Coates

Penny Fraser

Brendan John Kelly

Christy Lee Lazzari

Anthony John Page

Timothy John Fletcher Sanders (director and secretary)

Gary John Simpson

Angela Jayne Field

Craig Gordon Oliver

Carly Renee Quinn

Scott Andrew Olsen

James William Scholfield

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Directors shareholdings	2011	2010
Pamela Dawn Coates	2,500	1
Penny Fraser	1,500	1
Brendan John Kelly	11,500	1
Christy Lee Lazzari	1,250	1
Anthony John Page	5,000	1
Timothy John Fletcher Sanders (director and secretary)	3,000	1
Gary John Simpson	2,000	1
Angela Jayne Field	2,000	1
Craig Gordon Oliver	3,000	1
Carly Renee Quinn	500	1
Scott Andrew Olsen	1,200	1
James William Scholfield	1,000	-

NOTE 16: COMPANY DETAILS

The registered office of the company is:

92-94 Parker Street

The principal place of business is:

92-94 Parker Street

Dunkeld, Victoria, 3294

NOTE 17: FINANCIAL INSTRUMENTS.

Net fair values

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

Credit risk

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

Interest rate risk

All cash assets are at call with a weighed average interest rate of 1%. Term deposits are fixed interest at 5.95% maturing in 6 months.

NOTE 18: CONTINGENT ASSETS AND LIABILITIES

There are no known contingent assets or liabilities at balance date.

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of Grampians Regional Community Enterprises Limited, we state that:

In the opinion of the Directors:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
 - b. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Gary Simpson

Dated: 23 / 09/ 2011

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GRAMPIANS REGIONAL COMMUNITY
ENTERPRISES LIMITED



Report on the financial report

We have audited the accompanying financial report of Grampians Regional Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair 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 accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 the auditor's judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair 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 company'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.

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

Continued

199 Koroit Street
P.O Box 677
Warrnambool Vic 3260
TELEPHONE: (03) 5562 3544
FAX (03) 5562 0669
WEBSITE www.coffeyhunt.com.au

INDEPENDENT AUDITOR'S REPORT

CONTINUED



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion,

- a) The financial report of Grampians Regional Community Enterprises Limited is 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) The financial report also complies with the International Financial Reporting Standards as disclosed in note 1.

Coffey Hunt
COFFEY HUNT
CHARTERED ACCOUNTANTS

N.L. McLean
N.L. MCLEAN
PARTNER

Dated at Warrnambool, 16th September 2011

199 Koroit Street
P.O Box 677
Warrnambool Vic 3260
TELEPHONE: (03) 5562 3544
FAX (03) 5562 0669
WEBSITE www.coffeyhunt.com.au

BENDIGO & ADELAIDE BANK LTD REPORT

FOR YEAR ENDING 30 JUNE 2011

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 organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand 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. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your Community Bank® Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement

BENDIGO & ADELAIDE BANK LTD REPORT

CONTINUED

in profitability. The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 Community Bank® branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The Community Bank® model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets. We thank you all for the part you play in driving this success.

Russell Jenkins

Executive Customer and Community

Bendigo & Adelaide Bank Limited

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Dunkeld & District **Community Bank®** Branch
92-94 Parker Street, Dunkeld VIC 3294
Phone: (03) 5577 2488 Fax: (03) 5577 2332

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(S33463)