



# annual report **2012**

Grampians Regional  
Community Enterprises Limited  
ABN 29 139 414 234



# ANNUAL REPORTS

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# CHAIRMAN'S ANNUAL REPORT

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## JULY 2011 TO JUNE 2012

It's with solid momentum and purpose we have moved into the 2012/13 financial year.

Firstly I wish to thank all customers and shareholders for your trust and commitment by supporting our Community owned business.

Hopefully people are starting to see the impact we are having locally. Over \$35,000 has been invested back in Community Funding by June; we may see this amount triple per annum in the next few years by maintaining current growth rates.

Our FUM (Funds Under Management) closed in June close to \$23m, approximately \$8m in growth for the 2011/12 financial year. In February '12 we set a target of \$25m by June 30th, we missed this by only one month, with FUM exceeding \$25m late in July. This is an outstanding result and I commend all; Branch staff and GRCEL Board alike on this result. The business is tracking very closely to our Prospectus expectations, which is very pleasing.

Our partners at the Bendigo Bank (BBL) are a great support to us. They sit, listen and take an interest. Regional Manager Gary Attrill and his team are very much a part of our every-day business and successes. Training, marketing support and quick responses to enquiries are an important part of this relationship. BBL allows us to run our own business, yet remain close enough to offer support and advice. It is difficult to quantify or express the value this brings to the partnership.

A highlight for me in June was to meet and listen to Rob Hunt, retired CEO and architect of BBL 'Community Banking' as our guest speaker. It's said "All glory comes to those who begin". He started with the Bendigo Building Society with 18 employees. Today the BBL is a Top 100 Aus. company, \$80million back to local communities and around 300 Community Banks. That's a career to reflect on with pride.

At this AGM Tim Sanders resigns and retires from the Board as our 1st Company Secretary. Whilst each director contributes much to our business, none have done more than Tim. From the very outset of this journey in January 2008 he has been a key player. He developed and has overseen the corporate governance side of the business since we launched in February 2011. We all wish him well in his travels and relocation with family in NSW. Tim can be very proud of the legacy he has helped to create, we are certainly very grateful for his leadership and expertise.

Pam Coates begins now as our new Company Secretary. This is a demanding role and I thank her for taking on a very important task.

Congratulations and thank-you to Branch Manager Anna Watson for her work well beyond the job description. She understands the business very well, supports the board and importantly kept costs well in check.

# CHAIRMAN'S ANNUAL REPORT

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## CONTINUED

And to our Branch Staff; so often I hear comments about how friendly and helpful are our staff. Regularly they attend Community events on weekends and after hours for which I thank them; they also support our board, particularly with marketing and organising events.

With the close of the 2011/12 Financial year has come our first opportunity to look back over figures of a full 12 months of operation. As we move forward budgets are far more meaningful and planning more predictable.

Times ahead are challenging, as each step of this journey has been. Reaching the Break Even Point (BEP) is our firm focus. In June 2012 this looked realistically achievable in this oncoming year or close to. However the start to the 2012/13 financial year is throwing up some new dilemmas. Our monthly profit per \$1million is now less than expected. Currently our earnings are tending to tighten as loan applications reduce, debts are being paid off and deposits rates remain competitive. In simple terms a Margin squeeze.

Whilst we have no control over the factors influencing the larger economy, we have plenty of scope to continue to expand our own business.

Only 50% of our shareholders are banking with us. If we can get the other 50% on board we are well on our way to paying some dividends.

I am very proud of what our board and our staff have achieved; we are small rural communities "punching well above our weight."

Thank-you to each director on the GRCEL Board for your loyalty, your commitment and skill set you each bring.

Please take a bow, pat yourself on the back, high fives all round and then back to business-let's all work to BEP by June 2013.



**Gary Simpson**

**Chair**

**Grampians Regional Community Enterprises Limited.**

# MANAGER'S REPORT

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## FOR YEAR ENDING 30 JUNE 2012

It is with pleasure that I submit my annual report to the Board and shareholders for the financial year ended 30 June 2012.

I would like to begin my report by recognising and applauding the efforts of the Directors of our Dunkeld & District **Community Bank®** Branch, along with our Bendigo and Adelaide Bank representatives who have collectively guided our banking enterprise over the last 12 months.

It is a privilege to be the Manager of your Dunkeld & District **Community Bank®** Branch and I would like to publicly convey my thanks to my team who have taken on the challenges of our business with energy and enthusiasm, while providing me with significant support over the last 12 months.

The Branch team consists of Pedita van Hees our Customer Relationship Officer, along with Susan Tully and Kaitlin Lewis our Customer Service Officers, all of whom continue to provide our customers with a unique banking experience based upon personalised attention to their needs. I'd also like to acknowledge Jahra Horsten, who resigned in March 2012, for her contribution.

This financial year we have seen our business grow to total "footings" (loans and deposits) of \$23.10 million as at 30 June 2012. This figure represents an increase of 53% for the year.

A snapshot of customer numbers at 30 June 2012 totalled 507 with 830 accounts, representing an increase of 50% and 61% respectively.


We have contributed almost \$15,000 to the local community in the 2012 financial year.

I would like to thank all our customers and shareholders and commend them for their understanding of the **Community Bank®** philosophy and their spirit of community.

You can help your branch grow by acting as advocates in encouraging your family, friends and neighbours to think of Dunkeld & District **Community Bank®** Branch whenever they are considering their banking, financial and insurance needs.

Bendigo bank offers specialists in Agribusiness, Business Banking and Financial Planning. Regular visits from these specialists are made to meet this need.

I look forward to another positive and successful year with sustained growth, strengthening and developing our partnerships with our community.



**Anna Watson**

**Branch Manager**

**Dunkeld and District Community Bank® Branch**

# DIRECTORS

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## 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 cofounded 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 is involved in 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. Pam provides accounting support to a local branch of an international woolbuying 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 as a Project Officer for a local health service and is a member of the Glenthompson Progress Association and local Red Cross.

**Resides** 222 Lovatdale Lane, Glenthompson Vic 3293

# DIRECTORS

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## CONTINUED

**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 businesses in Peshurst 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 Peshurst and district. He currently resides in Peshurst with his wife and three children. He and his family are active in the local community being involved in the football netball club, pre school, St Joseph's School and swimming pool.

**Resides** 97 Cobb Street, Peshurst Vic 3289

**Name** Scott Andrew Olsen

**Date of Birth** 18 February 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 Peshurst all his life. He is married with two teenage children. As a member of the local fire brigade, Apex Club and Advance Peshurst 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, Peshurst Vic 3289

**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 Bestwool/Bestlamb Advisory Committee and a member of the Pannyabyr Landcare Group and the Dunkeld CFA.

**Resides** 2027 Dunkeld – Blackwood Road, Dunkeld Vic 3294



# DIRECTORS

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## CONTINUED

**Name** James William Scholfield

**Date of Birth** 16 January 1954

**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 Behncke

**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 Peshurst with her husband. She is currently employed as the Sales Manager with the local radio network, a position she has been promoted to after 8 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** 664 Woolsthorpe Road, Peshurst VIC 3289

# AUDITOR'S INDEPENDENCE DECLARATION

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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 2012 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. McClean*  
**N.L. MCLEAN**  
**PARTNER**

Dated at Warrnambool: 10th October 2012

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

# FINANCIAL REPORT

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FOR THE YEAR ENDED 30 JUNE 2012

## DIRECTOR'S REPORT

Your directors present their report for Grampians Regional Community Enterprises Limited "the company" for the financial year ended 30 June 2012.

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 (Resigned 24/10/2011)  
Anthony John Page  
Timothy John Fletcher Sanders (director and secretary)  
Gary John Simpson (chairman)  
Angela Jayne Field (Resigned 24/10/2011)  
Craig Gordon Oliver  
Carly Renee Behncke  
James William Scholfield  
Scott Andrew Olsen  
David Andrew McLeod (Appointed 30/05/2012)  
Jillian Lesley Lewis (Appointed 27/06/2012)

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 2012 amounted to \$(151,906)

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.

Operations have continued to perform in line with expectations and the feasibility study undertaken prior to establishing the business. The feasibility study indicates that the business should be profitable by the second half of the 2013 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.

# FINANCIAL REPORT

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## CONTINUED

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

	Number of board meetings eligible to attend	Number attended
Pamela Dawn Coates	12	9
Penny Fraser	12	12
Brendan John Kelly	12	9
Christy Lee Lazzari	4	3
Anthony John Page	12	11
Timothy John Fletcher Sanders	12	9
Gary John Simpson	12	8
Angela Jayne Field	4	3
Craig Gordon Oliver	12	8
Carly Renee Behncke	12	9
James William Scholfield	12	10
Scott Andrew Olsen	12	11
David Andrew McLeod	1	1
Jillian Lesley Lewis	NIL	NIL

The company has 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.

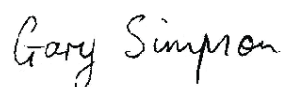
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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:

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

		30 June 2012	30 June 2011
	Note	\$	\$
Revenue from ordinary activities	3	198,692	79,752
Other revenue		18,541	6,616
Salaries and employee benefits		(185,682)	(106,269)
Charitable donations, sponsorship, advertising and promotion		(16,108)	(7,986)
Occupancy and associated costs		(35,172)	(16,778)
System costs		(40,623)	(15,361)
Depreciation and amortisation expenses		(29,102)	(15,411)
General administration expenses		(62,452)	(58,191)
Profit/(loss) before income tax		(151,906)	(133,628)
Income tax expense	5	-	-
Profit/(loss) for the year		(151,906)	(133,628)
Total comprehensive income for the year		(151,906)	(133,628)
Basic earnings per share (dollars)		NIL	NIL

The accompanying notes form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	239,358	361,881
Tax Assets	7	2,508	820
Other current assets		3,509	5,585
<b>TOTAL CURRENT ASSETS</b>		<b>245,375</b>	<b>368,286</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	26,148	33,250
Intangible assets	9	77,090	99,090
<b>TOTAL NON-CURRENT ASSETS</b>		<b>103,238</b>	<b>132,340</b>
<b>TOTAL ASSETS</b>		<b>348,613</b>	<b>500,626</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	8,410	8,468
Provisions	11	5,340	5,389
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,750</b>	<b>13,857</b>
<b>TOTAL LIABILITIES</b>		<b>13,750</b>	<b>13,857</b>
<b>NET ASSETS</b>		<b>334,863</b>	<b>486,769</b>
<b>EQUITY</b>			
Issued capital	12	612,891	612,891
Retained earnings/(losses)		(278,028)	(126,122)
<b>TOTAL EQUITY</b>		<b>334,863</b>	<b>486,769</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

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FOR THE YEAR ENDED 30 JUNE 2012

	Share Capital —Ordinary Shares	Retained Earnings (Accumulated Losses)	Total
	\$	\$	\$
<b>Balance at 1 July 2010</b>	11	7,506	7,517
Total comprehensive income for the year	-	(133,628)	(133,628)
Issued capital	612,880	-	612,880
<b>Balance at 30 June 2011</b>	<u>612,891</u>	<u>(126,122)</u>	<u>486,769</u>
<b>Balance at 1 July 2011</b>	612,891	(126,122)	486,769
Total comprehensive income for the year	-	(151,906)	(151,906)
<b>Balance at 30 June 2012</b>	<u>612,891</u>	<u>(278,028)</u>	<u>334,863</u>

The accompanying notes form part of these financial statements.

# STATEMENT OF CASHFLOWS

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FOR THE YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and commissions received		201,562	66,843
Payments to suppliers and employees		(339,756)	(179,286)
Interest received		15,671	19,525
Net cash provided by/(used in) operating activities	13	<u>(122,523)</u>	<u>(92,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		-	(37,751)
Net cash provided by/(used in) investing activities		<u>-</u>	<u>(37,751)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the allotment of shares		-	59,499
Net cash provided by/(used in) financing activities		<u>-</u>	<u>59,499</u>
Net (decrease)/increase in cash held		(122,523)	(71,170)
Cash at beginning of the period		361,881	433,051
Cash at end of financial period	6	<u><u>239,358</u></u>	<u><u>361,881</u></u>

The accompanying notes form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

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## FOR THE YEAR ENDED 30 JUNE 2012

### 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

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## 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 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 following estimated useful lives are used in the calculation of depreciation:

- Furniture & Fittings	6 – 20 years
- Computer Software	4 years
- Improvements	10 years

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

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## 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

f. 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%.

g. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the statement of comprehensive income.

	Note	2012	2011
		\$	\$
<b>NOTE 3: REVENUE</b>			
Commissions received		183,021	60,227
Interest received		15,671	19,525
		<hr/> 198,692	<hr/> 79,752

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

	Note	2012 \$	2011 \$
<b>NOTE 4: AUDITORS REMUNERATION</b>			
Auditors remuneration – auditing or reviewing the financial report		1,970	1,800

### NOTE 5: INCOME TAX EXPENSE

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

Operating profit		(151,906)	(133,628)
Prima Facie tax on profit from ordinary activities at 30%		(45,572)	(40,088)
Add back:			
Deferred tax asset not yet recognised		45,572	40,088
Income Tax Expense		-	-

The components of income tax expense comprise:

Current tax		-	-
Deferred tax		-	-
Income Tax Expense		-	-

### NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank		63,407	92,356
Term Deposits		175,951	269,525
		239,358	361,881

### 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		63,407	92,356
Term Deposits		175,951	269,525
		239,358	361,881

### NOTE 7: TAX ASSETS

Income Tax refundable		2,508	820
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### NOTE 8: PROPERTY, PLANT AND EQUIPMENT

#### Furniture and fittings

At cost		24,209	24,209
Less accumulated depreciation		(5,246)	(1,555)
		18,963	22,654

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

	Note	2012 \$	2011 \$
<b>NOTE 8: PROPERTY, PLANT AND EQUIPMENT continued</b>			
<b>Computer software</b>			
At cost		10,409	10,409
Less accumulated depreciation		(5,204)	(2,602)
		5,205	7,807
<b>Improvements</b>			
At cost		1,363	1,363
Less accumulated depreciation		(282)	(12)
		1,081	1,351
<b>Low value pool</b>			
At cost		1,770	1,770
Less accumulated depreciation		(871)	(332)
		899	1,438
		26,148	33,250
<b>Movements in carrying amounts:</b>			
<b>Furniture and Fittings</b>			
Carrying amount at beginning of year		22,654	-
Additions		-	24,209
Less: depreciation expense		(3,691)	(1,555)
<b>Carrying amount at end of year</b>		<b>18,963</b>	<b>22,654</b>
<b>Computer Software</b>			
Carrying amount at beginning of year		7,807	-
Additions		-	10,409
Less: depreciation expense		(2,602)	(2,602)
<b>Carrying amount at end of year</b>		<b>5,205</b>	<b>7,807</b>
<b>Improvements</b>			
Carrying amount at beginning of year		1,351	-
Additions		-	1,363
Less: depreciation expense		(270)	(12)
<b>Carrying amount at end of year</b>		<b>1,081</b>	<b>1,351</b>

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

	Note	2012 \$	2011 \$
<b>NOTE 8: PROPERTY, PLANT AND EQUIPMENT continued</b>			
<b>Low value pool</b>			
Carrying amount at beginning of year		1,438	-
Additions		-	1,770
Less: depreciation expense		(539)	(332)
<b>Carrying amount at end of year</b>		<b>899</b>	<b>1,438</b>
<b>Total written down amount</b>		<b>26,148</b>	<b>33,250</b>
<b>NOTE 9: INTANGIBLE ASSETS</b>			
Franchise and Establishment Fee at Cost		110,000	110,000
Less accumulated amortisation		(32,910)	(10,910)
		<u>77,090</u>	<u>99,090</u>
<b>NOTE 10: TRADE AND OTHER PAYABLES</b>			
Other creditors and accruals		8,410	8,468
<b>NOTE 11: PROVISIONS</b>			
Annual leave		5,340	5,389
<b>NOTE 12: ISSUED CAPITAL</b>			
Fully paid ordinary shares		623,400	623,400
Less transaction costs arising on share issue		(10,508)	(10,508)
		<u>612,892</u>	<u>612,892</u>
		<b>No.</b>	<b>No.</b>
<b>a. Ordinary Shares</b>			
At the beginning of the reporting period		623,400	11
Shares issued during the year		-	623,389
At reporting date		<u>623,400</u>	<u>623,400</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## CONTINUED

### NOTE 12: 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.

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 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).

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").

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

	2012	2011
	\$	\$
<b>NOTE 13: CASH FLOW INFORMATION</b>		
Profit/(loss) from ordinary activities after income tax	(151,906)	(133,628)
Non-cash flows in profit:		
Depreciation	7,102	4,501
Amortisation	22,000	10,910
Changes in assets and liabilities:		
(Increase)/decrease in other assets	2,076	17,279
Increase/(decrease) in payables	(58)	-
(Increase)/decrease in tax assets	(1,688)	-
Increase/(decrease) in provisions	(49)	12,057
Increase/(decrease) in tax liabilities	-	(4,037)
Net cash provided by/(used in) operating activities	<u>(122,523)</u>	<u>(92,918)</u>

## NOTE 14: 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 (Resigned 24/10/2011)

Anthony John Page

Timothy John Fletcher Sanders (director and secretary)

Gary John Simpson

Angela Jayne Field (Resigned 24/10/2011)

Craig Gordon Oliver

Carly Renee Quinn

Scott Andrew Olsen

James William Scholfield

David Andrew McLeod (Appointed 30/05/2012)

Jillian Lesley Lewis (Appointed 27/06/2012)

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

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## CONTINUED

	NO.	NO.
Directors shareholdings	2012	2011
Pamela Dawn Coates	2,500	2,500
Penny Fraser	1,500	1,500
Brendan John Kelly	11,500	11,500
Christy Lee Lazzari	1,250	1,250
Anthony John Page	5,000	5,000
Timothy John Fletcher Sanders (director and secretary)	3,000	3,000
Gary John Simpson	2,000	2,000
Angela Jayne Field	2,000	2,000
Craig Gordon Oliver	3,000	3,000
Carly Renee Quinn	500	500
Scott Andrew Olsen	1,200	1,200
James William Scholfield	1,000	1,000
David Andrew McLeod	10,000	10,000
Jillian Lesley Lewis	1,000	1,000

### NOTE 15: COMPANY DETAILS

The registered office of the company is:

92-94 Parker Street  
Dunkeld, Victoria, 3294

The principal place of business is:

92-94 Parker Street  
Dunkeld, Victoria, 3294

### NOTE 16: OPERATING SEGMENTS

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> services in the Dunkeld district of Victoria pursuant to a franchise agreement with the Bendigo and Adelaide Bank Limited.

### 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 have fixed interest rates of 4.8% and 5.6% maturing in October and November 2012.

### NOTE 18: CONTINGENT ASSETS AND LIABILITIES

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

# DIRECTOR'S DECLARATION

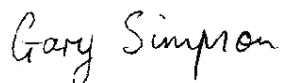
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In accordance with a resolution of the directors of Grampians Regional Community Enterprises Limited, we state that:

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 2012 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 2012, 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.

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199 Koroit Street, P.O. Box 677, Warrnambool Victoria 3280

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*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 2012 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  
PARTNER

Dated at Warrnambool, 10<sup>th</sup> October 2012.

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# BENDIGO & ADELAIDE BANK LTD REPORT

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## FOR YEAR ENDING 30 JUNE 2011

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

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the

major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

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

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

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

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

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

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

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

# BENDIGO & ADELAIDE BANK LTD REPORT

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## CONTINUED

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

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

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

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

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

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

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

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

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



**Russell Jenkins**  
**Executive Customer and Community**  
**Bendigo & Adelaide Bank Limited**



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

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(S33463)

