

Healesville & District Community Enterprise Limited  
*Our Community Empowered & Thriving*

# Annual Report 2012





# Healesville & District Community Enterprise Limited

Annual Report 2012

Our Community Empowered & Thriving



## 1. Chairman's Report

### \$80 million returned to communities

Thanks to the support of **Community Bank**<sup>®</sup> customers and shareholders the Australia-wide network has now returned more than \$80 million to support and strengthen local communities.

This is an inspirational milestone and our **Community Bank**<sup>®</sup> company is working hard to secure the support of our local community so that we too can start reinvesting profits in community strengthening activities and show our appreciation to our local shareholders with a dividend payment.

Al ready our small community grants and sponsorships have made a difference to a number of sporting, Community, School and cultural organisations as well as many individual fundraising events in our Community. And we look forward to continuing to support these groups and others as more people bank with us and we become more successful.

### Healesville Community Bank - The Past Year

In just fifteen months since **Healesville Community Bank**<sup>®</sup> opened its doors, we have grown our banking business to over \$20 million in deposits and loans.

Whilst our customer base is growing daily the business has not grown as quickly as our prospectus and planning had indicated. We are behind on our year one prospectus target, so the Board has developed an aggressive business plan and budget to enable us to reach our year two prospectus target. It seems likely we will be considering an overdraft to meet any shortfalls until we reach profitability.

As a shareholder, you own a share of the bank, but is any of your banking with us? You can play a vital part in our growth because the more you bank and use services with us the quicker we grow which means the more we can give back to our Community. You can also be an advocate for us when talking to others and helping them transfer their banking business to your **Community Bank**<sup>®</sup>.

Our staff are our greatest asset and a vital connection to our community. In what has proved to be a challenging year everyone has done a great job, particularly with part time positions proving to be difficult to fill, on a long term basis.

Suzanne Dixon, our Branch Manager and Cheryl McGeorge our Customer Relations Officer have done a great job trying to develop and grow the business whilst training new staff. Amanda Parry, who has been with us from day one has taken parental leave to deliver a new addition to her family and we welcomed Jayne Mathews to the team as a Customer Service Officer. Jayne has been a Healesville resident for over 25 years and has extensive involvement in a range of Community and sporting groups.

I would like to thank the **Healesville Community Bank**<sup>®</sup> Board members, who have devoted many volunteer hours managing and growing the business.

Board Members are elected for three year terms and each year, one third of the Board stands down. This year, Barbara Honan, Kerri Goding and Lucy Lui have stood down as well as Michael Colineri. They are unable to continue as board members due to work and family commitments and have decided

205 Maroondah Highway, Healesville VIC 3777 ACN 143 284 182

Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879

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# Healesville & District Community Enterprise Limited

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Our Community Empowered & Thriving



not to stand for re-election. Joanne Tate, elected last year, was unfortunately unable to take up the role and the board nominated Nikola Sanders to fill the position until this AGM.

## Interest rate movements

Our **Community Bank**<sup>®</sup> company and our partner Bendigo and Adelaide Bank, encourages transparency when setting interest rates and fees.

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated judgement calls on who they choose to do their banking business with.

Our bank is committed to appropriately adjusting its interest rates (be it up or down) to ensure a fair balance is achieved between all of our stakeholders - borrowers, depositors, shareholders, staff and the communities we partner with.

## Cost of funding

There is no doubt that all banks face higher funding costs, following changes in the economic environment triggered by the Global Financial Crisis.

We support our partner Bendigo and Adelaide Bank in its decision making and believe it is committed to striking a fair balance between all key stakeholders - borrowers, depositors, shareholders, staff and the wider communities – when it sets interest rates.

## Ratings upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P).

S&P's decision to raise the Bank's long-term rating from BBB+ to A- means the Bank, including its **Community Bank**<sup>®</sup> partners, is now rated 'A' by all three of the world's leading credit rating agencies.

## Government Guarantee

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the "government guarantee", lowering it from \$1 million to \$250,000 effective 1 February 2012.

All **Community Bank**<sup>®</sup> branches operate under Bendigo and Adelaide Bank's banking licence, and as such all deposits held with a **Community Bank**<sup>®</sup> branch are guaranteed by the Federal Government and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank.

Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe in our bank.

Yours sincerely,

Gary Slater  
Chairman

205 Maroondah Highway, Healesville VIC 3777 ACN 143 284 182  
Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879

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# Healesville & District Community Enterprise Limited

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Our Community Empowered & Thriving



## 2. Manager's Report

Hello and welcome to our second annual Manager's Report.

Your **Community Bank**<sup>®</sup> opened on 18<sup>th</sup> February 2011. In the short term we saw rapid growth, which consisted of new customers opening accounts as well as existing Bendigo Bank customers transferring their accounts across to us. By June 2011 our customer base was at 387.

For the financial year ending June 2012, our banking business was at \$21 million and we have seen further growth of another 287 customers since last financial year. To date we are approximately \$24 million in banking business from over 700 customers.

It is pleasing to see we are consistently growing, however to become a successful **Community Bank**<sup>®</sup> we need all our shareholders and local residents in our Community to consider bringing part or all of their banking across to us.

Trading performance has not been in line with our original forecasts with the slow housing market conditions, and conservative consumer spending across the board being significant influences.

To help boost our growth, we have sought additional assistance from our "specialists" in generating business for the Branch. This has resulted in a number of new applications being processed. In addition, the regular visits of Bendigo Business Banking experts, has assisted with a number of positive leads in the business sector.

Our staff are the face of the business and I would like to thank Cheryl, Jayne, Amanda and Madi for their hard work in helping the business grow and for consistently providing, professional and friendly customer service.

Our business is providing a great banking option to our local Community and giving them choice and flexibility with opening hours from Monday to Friday 9am to 5pm and every Saturday 9am to Middy.

Our goal is to see our local Community grow and thrive. Did you know that up to 80% of our profits are given to Community groups and clubs in Postcode 3777 by way of Grants and Sponsorships? To date we have already supported our Community with over \$5000. We would love to give more, however to do this we need more of you developing relationships with us.

The only way we can grow and become a profitable and successful **Community Bank**<sup>®</sup> is with your support.

Yours sincerely

Suzanne Dixon  
Branch Manager

# **Healesville & District Community Enterprise Limited**

**Financial Statements**

**as at**

**30 June 2012**

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Directors' Report**

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

**Directors**

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

**Gary James Slater**

Chairman  
Age: 55  
Occupation: General Manager  
Experience & Expertise: Yarra Rangers economic recovery committee, Healesville Chamber of Commerce committee, Manager of Healesville sanctuary, Manager of Healesville RSL, Owner operator of own business

**Neil Frederick Skinner**

Secretary  
Age: 65  
Occupation: Retired  
Experience & Expertise: 42 years in the mechanical services / air conditioning industry. Worked in Taiwan for two years on the high speed rail project. Secretary at the local RSL

**Kathleen Therese Gannaway**

Director  
Age: 60  
Occupation: Journalist  
Experience & Expertise: Journalist with Mountain Views Newspaper for the past 12 years. Resident of Healesville since 1983. Active volunteer with Gateway fest, Relay for Life, Badger Creek CFA and Badger Creek Old School Building

**Kathleen Ann Holton**

Director  
Age: 57  
Occupation: Manager  
Experience & Expertise: Chairperson of Township Group – Community 3777. Certificate III in Aged Care. Diploma of Teaching and a Graduate Diploma in Student Welfare

**David Frederick Purcell**

Director (*Appointed 26 September 2011*)  
Age:  
Occupation: Public Accountant  
Experience & Expertise: David is a public accountant. He holds a Bachelor of Commerce (Melbourne University)

**Michael Colaneri**

Director (*Appointed 26 September 2011*)  
Age: 34  
Occupation: General Manager  
Experience & Expertise: Local Businessman in the food manufacturing industry, Michael has experience in marketing and development.

**Sandra Alma Schoffer**

Treasurer  
Age: 59  
Occupation: Retired  
Experience & Expertise: Currently a committee member of the Healesville RSL, Former committee member of the Relay For Life – Cancer Council. Advanced Certificate of Accounting. Employed as a payroll officer and accounts clerk

**Robert James Gannaway**

Acting Secretary  
Age: 65  
Occupation: Graphic Designer  
Experience & Expertise: Past CFA volunteer firefighter, past vickick coordinator, Cert.2 in Information Technology (Computer Applications). 25 years in sales both wholesale and retail

**Kerri Lee Goding**

Director  
Age: 52  
Occupation: Executive Officer  
Experience & Expertise: Secretary of Healesville Football & Netball Club. Advanced Diploma Community Services Management. Extensive experience in hospitality, tourism and event management

**Barbara Jean Honan**

Director  
Age: 69  
Occupation: Advertising Account Executive  
Experience & Expertise: President of Healesville Chamber of Commerce & Industry, President of Healesville Living & Learning Centre, Chairperson of the Healesville Smooth Life Program. Involved in the organization of the Gateway Festival.

**Lucy Liu**

Director (*Appointed 26 September 2011*)  
Age: 37  
Occupation: Business Development Manager  
Experience & Expertise: Lucy has 15 years experience in the financial services industry. Lucy specialises in hedge funds, private equity and funds management.

**Joanne Margaret Tate**

Director (*Appointed 26 September 2011*)(*Resigned 28 May 2012*)  
Age: 47  
Occupation: Business Development Manager  
Experience & Expertise: Extensive experience in the Tourism Industry as owner operator of a Tour Company. Past president of the Chamber of Commerce, Joanne has served on numerous community and business committees and boards.

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Directors' Report**

**Jeanette Lesley McRae**

Director (*Resigned 26 September 2011*)

Age: 57

Occupation: Community Development

Experience & Expertise: Jeanette is a Healesville resident of 20 years and has been the local Councillor for the past five years. Jeanette has a diverse background in Federal, State and Local Government, and experience in running her own home based proofreading and editing business.

**Frederick Lewis Ward**

Director (*Resigned 26 September 2011*)

Age: 81

Occupation: Retired

Experience & Expertise: Accountant for over 49 years with experience in cost accounting in the car and rubber industries. He is a current member of the local Probus Club. He has assisted as a driver for Healesville Interchurch Community Care Inc.

No directors have material interests in contracts or proposed contracts with the company.

**Company Secretary**

The company secretary is Neil Frederick Skinner. Neil was appointed to the position of secretary on 22 April 2010

Neil has over 42 years in the mechanical services and air conditioning industries. He has worked in Taiwan for two years on the high speed rail project. Neil is also currently the Secretary at the local RSL

**Principal Activities**

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

During the period \$889,014 of capital was raised and the branch was opened on 21 February 2011

**Operating Results**

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2012	Year ended 30 June 2011
\$	\$
(217,456)	(152,495)

**Remuneration Report**

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

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

**Significant Changes in the State of Affairs**

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

**Matters Subsequent to the End of the Financial Year**

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

**Likely Developments**

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

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Directors' Report**

**Environmental Regulation**

The company is not subject to any significant environmental regulation.

**Directors' Benefits**

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

**Indemnification and Insurance of Directors and Officers**

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability ar

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

**Directors' Meetings**

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

	<b>Board Meetings Attended</b>	
	<i>Eligible</i>	<i>Attended</i>
Gary James Slater	13	13
Sandra Alma Schoffer	13	10
Neil Frederick Skinner	11	8
Robert James Gannaway	13	10
Kathleen Therese Gannaway	13	13
Kerri Lee Goding	13	11
Kathleen Ann Holton	13	11
Barbara Jean Honan	12	7
David Frederick Purcell ( <i>Appointed 26 September 2011</i> )	8	8
Lucy Liu ( <i>Appointed 26 September 2011</i> )	8	3
Michael Colaneri ( <i>Appointed 26 September 2011</i> )	8	3
Joanne Margaret Tate ( <i>Appointed 26 September 2011</i> )( <i>Resigned 28 May 2012</i> )	6	2
Jeanette Lesley McRae ( <i>Resigned 26 September 2012</i> )	-	-
Frederick Lewis Ward ( <i>Resigned 26 September 2012</i> )	-	-

The Board has three sub-committees, Human Resources, Sponsorship & Marketing and Property which have elected Directors who meet on a regular, or as needs basis, and present reports/recommendations to the monthly Board meetings where required.



**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Directors' Report**

**Non Audit Services**

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

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

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

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

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the board of directors at Healesville, Victoria on 27 September 2012.



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**Gary James Slater, Chairman**

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Healesville & District Community Enterprise Limited**

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.



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

Dated: 27 September 2012

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Statement of Comprehensive Income**  
**for the Year Ended 30 June 2012**

	<u>Notes</u>	<b>2012</b> <b>\$</b>	<b>2011</b> <b>\$</b>
Revenues from ordinary activities	4	166,081	38,053
Employee benefits expense		(255,993)	(117,542)
Charitable donations, sponsorship, advertising and promotion		(6,395)	(2,295)
Occupancy and associated costs		(62,471)	(55,121)
Systems costs		(34,664)	(17,098)
Depreciation and amortisation expense	5	(44,627)	(14,877)
Finance costs	5	-	(60)
General administration expenses		(65,463)	(50,906)
		<hr/>	<hr/>
<b>Loss before income tax credit</b>		<b>(303,532)</b>	<b>(219,846)</b>
Income tax credit	6	86,076	67,351
		<hr/>	<hr/>
<b>Loss after income tax credit</b>		<b>(217,456)</b>	<b>(152,495)</b>
		<hr/>	<hr/>
<b>Total comprehensive income for the year</b>		<b>(217,456)</b>	<b>(152,495)</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	20	(42.60)	(29.87)

The accompanying notes form part of these financial statements



**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Balance Sheet**  
**as at 30 June 2012**

	<u>Notes</u>	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	85,683	329,842
Trade and other receivables	8	15,150	16,161
<b>Total Current Assets</b>		<b><u>100,833</u></b>	<b><u>346,003</u></b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	198,909	220,637
Intangible assets	10	80,667	102,666
Deferred tax assets	11	153,427	67,351
<b>Total Non-Current Assets</b>		<b><u>433,003</u></b>	<b><u>390,654</u></b>
<b>Total Assets</b>		<b><u>533,836</u></b>	<b><u>736,657</u></b>
<b>LIABILITIES</b>			
Trade and other payables	12	20,702	12,226
Provisions	13	10,380	4,846
<b>Total Current Liabilities</b>		<b><u>31,082</u></b>	<b><u>17,072</u></b>
<b>Non-Current Liabilities</b>			
Provisions	13	625	-
<b>Total Non-Current Liabilities</b>		<b><u>625</u></b>	<b><u>-</u></b>
<b>Total Liabilities</b>		<b><u>31,707</u></b>	<b><u>17,072</u></b>
<b>Net Assets</b>		<b><u>502,129</u></b>	<b><u>719,585</u></b>
<b>Equity</b>			
Issued capital	14	872,080	872,080
Accumulated losses	15	(369,951)	(152,495)
<b>Total Equity</b>		<b><u>502,129</u></b>	<b><u>719,585</u></b>

The accompanying notes form part of these financial statements

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Statement of Changes in Equity**  
**for the Year Ended 30 June 2012**

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2010</b>	12	-	12
<b>Total comprehensive income for the year</b>	-	(152,495)	(152,495)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	899,014	-	899,014
Costs of issuing shares	(26,946)	-	(26,946)
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2011</b>	<u>872,080</u>	<u>(152,495)</u>	<u>719,585</u>
<b>Balance at 1 July 2011</b>	<u>872,080</u>	<u>(152,495)</u>	<u>719,585</u>
<b>Total comprehensive income for the year</b>	-	(217,456)	(217,456)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
<b>Balance at 30 June 2012</b>	<u>872,080</u>	<u>(369,951)</u>	<u>502,129</u>

The accompanying notes form part of these financial statements

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Statement of Cashflows**  
**for the Year Ended 30 June 2012**

	<u>Notes</u>	<b>2012</b> \$	<b>2011</b> \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		171,587	46,674
Payments to suppliers and employees		(426,316)	(251,291)
Interest received		11,470	619
Interest paid		-	(60)
<b>Net cash used in operating activities</b>	16	<u>(243,259)</u>	<u>(204,058)</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(900)	(228,180)
Payments for intangible assets		-	(110,000)
<b>Net cash used in investing activities</b>		<u>(900)</u>	<u>(338,180)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of shares		-	899,014
Payment for share issue costs		-	(26,946)
<b>Net cash provided by financing activities</b>		<u>-</u>	<u>872,068</u>
<b>Net increase in cash held</b>		(244,159)	329,830
Cash and cash equivalents at the beginning of the financial year		329,842	12
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u>85,683</u>	<u>329,842</u>

The accompanying notes form part of these financial statements



**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2012**

**Note 1. Summary of Significant Accounting Policies**

**a) Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Healesville, Victoria.

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2012**

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

**a) Basis of Preparation (continued)**

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

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

Going concern -

The net assets of the company as at 30 June 2012 were \$502,129 and the loss made for the year was \$217,456, bringing accumulated losses to \$369,951.

In addition:	\$
Total assets	533,836
Total liabilities	31,707
Operating cash flows	(243,259)

There was a 42% increase in the loss recorded for the financial year ended 30 June 2012 when compared to the prior year.

The company currently meets its day to day working capital requirements through cash reserves however an overdraft facility will be required in the near future. An overdraft limit of \$300,000 has been applied for but is yet to be approved.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be required to obtain an overdraft facility to meet its current obligations.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2012/13 financial year. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts some doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

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Going concern - (continued)

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

**c) Income Tax**

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.



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

**c) Income Tax (continued)**

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

**d) Employee Entitlements**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

**e) Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**f) Trade Receivables and Payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**g) Property, Plant and Equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The establishment processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment Terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

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

**k) Financial Instruments**

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m) Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

**n) Contributed Equity**

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

**o) Earnings Per Share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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

**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**Note 2. Financial Risk Management**

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

**(i) Market risk**

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

**(ii) Price risk**

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

**(iii) Credit risk**

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

**(iv) Liquidity risk**

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

**(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

**(vi) Capital management**

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

- (i) the distribution limit is the greater of:
  - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

There were no changes in the company's approach to capital management during the year.

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**Note 3. Critical Accounting Estimates and Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

The calculations require the use of assumptions.

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

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.



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	2012	2011
	\$	\$
<b>Note 4. Revenue from Ordinary Activities</b>		
Operating activities:		
- services commissions	153,009	32,455
- other revenue	3,615	2,845
Total revenue from operating activities	<u>156,624</u>	<u>35,300</u>
Non-operating activities:		
- interest received	9,457	2,753
Total revenue from non-operating activities	<u>9,457</u>	<u>2,753</u>
Total revenues from ordinary activities	<u>166,081</u>	<u>38,053</u>
 <b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- plant and equipment	11,002	4,204
- leasehold improvements	11,625	3,340
Amortisation of non-current assets:		
- franchise agreement	2,000	667
- franchise establishment fee	20,000	6,666
	<u>44,627</u>	<u>14,877</u>
Finance costs:		
- interest paid	-	60
Bad debts	<u>153</u>	<u>-</u>
 <b>Note 6. Income Tax Credit</b>		
The components of tax credit comprise:		
- Future income tax benefit attributed to losses	(82,704)	(68,889)
- Movement in deferred tax	(3,372)	1,538
	<u>(86,076)</u>	<u>(67,351)</u>
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating loss	(303,532)	(219,846)
Prima facie tax on loss from ordinary activities at 30%	(91,060)	(65,954)
Add tax effect of:		
- non-deductible expenses	6,600	220
- timing difference expenses	3,372	(1,538)
- other deductible expenses	(1,616)	(1,617)
	<u>(82,704)</u>	<u>(68,889)</u>
Movement in deferred tax	11 (3,372)	1,538
	<u>(86,076)</u>	<u>(67,351)</u>
 <b>Note 7. Cash and Cash Equivalents</b>		
Cash at bank and on hand	<u>85,683</u>	<u>329,842</u>
The above figure is reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
<b>Note 7.(a) Reconciliation of cash</b>		
Cash at bank and on hand	<u>85,683</u>	<u>329,842</u>

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<b>Note 8. Trade and Other Receivables</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	6,500	2,430
Other receivables and accruals	4,892	5,893
Prepayments	3,758	7,838
	<u>15,150</u>	<u>16,161</u>

**Note 9. Property, Plant and Equipment**

<u>Plant and equipment</u>		
At cost	35,217	34,318
Less accumulated depreciation	(15,206)	(4,204)
	<u>20,011</u>	<u>30,114</u>
 <u>Leasehold improvements</u>		
At cost	193,863	193,863
Less accumulated depreciation	(14,965)	(3,340)
	<u>178,898</u>	<u>190,523</u>
Total written down amount	<u>198,909</u>	<u>220,637</u>

**Movements in carrying amounts:**

<u>Plant and equipment</u>		
Carrying amount at beginning	30,114	-
Additions	899	34,318
Disposals	-	-
Less: depreciation expense	(11,002)	(4,204)
Carrying amount at end	<u>20,011</u>	<u>30,114</u>
 <u>Leasehold improvements</u>		
Carrying amount at beginning	190,523	-
Additions	-	193,863
Disposals	-	-
Less: depreciation expense	(11,625)	(3,340)
Carrying amount at end	<u>178,898</u>	<u>190,523</u>
Total written down amount	<u>198,909</u>	<u>220,637</u>

**Note 10. Intangible Assets**

<u>Franchise fee</u>		
At cost	10,000	10,000
Less: accumulated amortisation	(2,666)	(667)
	<u>7,334</u>	<u>9,333</u>
 <u>Establishment/Renewal processing fee</u>		
At cost	100,000	100,000
Less: accumulated amortisation	(26,667)	(6,667)
	<u>73,333</u>	<u>93,333</u>
Total written down amount	<u>80,667</u>	<u>102,666</u>

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	2012	2011
	\$	\$
<b>Note 11. Tax</b>		
<u>Deferred tax assets</u>		
- accruals	-	-
- employee provisions	3,302	1,454
- tax losses carried forward	151,593	68,888
	<u>154,895</u>	<u>70,342</u>
 <u>Deferred tax liability</u>		
- accruals	(37)	(640)
- deductible prepayments	(1,431)	(2,351)
	<u>(1,468)</u>	<u>(2,991)</u>
Net deferred tax asset	<u>(153,427)</u>	<u>(67,351)</u>
 Movement in deferred tax charged to statement of comprehensive income	<u>(86,076)</u>	<u>(67,351)</u>
 <b>Note 12. Trade and Other Payables</b>		
Trade creditors	6,645	3,588
Other creditors and accruals	14,057	8,638
	<u>20,702</u>	<u>12,226</u>
 <b>Note 13. Provisions</b>		
<b>Current:</b>		
Provision for annual leave	<u>10,380</u>	<u>4,846</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>625</u>	<u>-</u>
 <b>Note 14. Contributed Equity</b>		
899,026 Ordinary shares fully paid (2011: 899,026)	899,026	899,026
Less: equity raising expenses	(26,946)	(26,946)
	<u>872,080</u>	<u>872,080</u>

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

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

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

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**Note 14. Contributed Equity (continued)**

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 259. As at the date of this report, the company had 288 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

<b>Note 15. Accumulated Losses</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(152,495)	-
Net loss from ordinary activities after income tax	(217,456)	(152,495)
Balance at the end of the financial year	<u>(369,951)</u>	<u>(152,495)</u>



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<b>Note 16. Statement of Cashflows</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(217,456)	(152,495)
Non cash items:		
- depreciation	22,627	7,544
- amortisation	22,000	7,333
Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,011	(16,161)
- increase in other assets	(86,076)	(67,351)
- increase in payables	8,476	12,226
- increase in provisions	6,159	4,846
Net cashflows used in operating activities	(243,259)	(204,058)

**Note 17. Leases**

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- not later than 12 months	42,616	41,000
- between 12 months and 5 years	95,886	133,250
- greater than 5 years	-	-
	138,502	174,250

The business lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease expires on 1 October 2015 with the option of another 5 year term

<b>Note 18. Auditor's Remuneration</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,400	3,400
- non audit services	3,987	-
	7,387	3,400

**Note 19. Director and Related Party Disclosures**

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

Gary James Slater  
Sandra Alma Schoffer  
Neil Frederick Skinner  
Robert James Gannaway  
Kathleen Therese Gannaway  
Kerri Lee Goding  
Kathleen Ann Holton  
Barbara Jean Honan  
David Frederick Purcell (*Appointed 26 September 2011*)  
Lucy Liu (*Appointed 26 September 2011*)  
Michael Colaneri (*Appointed 26 September 2011*)  
Joanne Margaret Tate (*Appointed 26 September 2011*)(*Resigned 28 May 2012*)  
Jeanette Lesley McRae (*Resigned 26 September 2012*)  
Frederick Lewis Ward (*Resigned 26 September 2012*)

David Purcell provided accounting services to the company. The total amount paid for the year was \$8,690.

No other 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.

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Notes to the Financial Statements**  
**for the Year Ended 30 June 2012**

**Note 19. Director and Related Party Disclosures (continued)**

<b>Directors' Shareholdings</b>	<b>2012</b>	<b>2011</b>
The names of directors' who have held office during the financial year are:		
Gary James Slater	16,000	11,501
Sandra Alma Schoffer	50,001	50,001
Neil Frederick Skinner	1,001	1,001
Robert James Gannaway	1,001	1,001
Kathleen Therese Gannaway	1,001	1,001
Kerri Lee Goding	2,001	2,001
Kathleen Ann Holton	6,101	6,101
Barbara Jean Honan	1,001	1,001
David Frederick Purcell ( <i>Appointed 26 September 2011</i> )	1	-
Lucy Liu ( <i>Appointed 26 September 2011</i> )	1	-
Michael Colaneri ( <i>Appointed 26 September 2011</i> )	1,001	-
Joanne Margaret Tate ( <i>Appointed 26 September 2011</i> )( <i>Resigned 28 May 2012</i> )	501	-
Jeanette Lesley McRae ( <i>Resigned 26 September 2012</i> )	3,000	3,001
Frederick Lewis Ward ( <i>Resigned 26 September 2012</i> )	1,000	-

<b>Note 20. Earnings Per Share</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(217,456)	(152,495)
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	510,490	510,490

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

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

**Note 22. Contingent Liabilities**

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

**Note 23. Segment Reporting**

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

**Note 24. Registered Office/Principal Place of Business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
205 Maroondah Highway HEALESVILLE VIC 3777	205 Maroondah Highway HEALESVILLE VIC 3777

**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Notes to the Financial Statements for the Year Ended 30 June 2012**

**Note 25. Financial Instruments**

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

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

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate		
	2012	2011	1 year or less		Over 1 to 5 years		Over 5 years		2012	2011	2012	2011	
			2012	2011	2012	2011	2012	2011					%
<b>Financial Assets</b>													
Cash and cash equivalents	38,265	329,842	47,418	-	-	-	-	-	-	-	-	4.84	0.83
Receivables	-	-	-	-	-	-	-	-	10,258	6,188	20,702	N/A	N/A
<b>Financial Liabilities</b>													
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	-	0.00	0.00
Payables	-	-	-	-	-	-	-	-	20,702	12,226	12,226	N/A	N/A

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**Healesville & District Community Enterprise Limited**  
**ABN 64 143 284 182**  
**Directors' Declaration**

In accordance with a resolution of the directors of Healesville & District Community Enterprises Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



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**Gary James Slater, Chairman**

Signed on the 27th of September 2012.



## **Independent auditor's report to the members of Healesville & District Community Enterprise Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Healesville & District Community Enterprise Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Healesville & District Community Enterprise Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of \$217,456 during the year ended 30 June 2012, further reducing the company's net assets to \$502,129. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast some doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion

In our opinion, the remuneration report of Healesville & District Community Enterprise Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



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

Dated: 27 September 2012