

annual report 2010

Heywood & District Community
Enterprise Limited
ABN 25 137 222 345

Heywood & District **Community Bank**[®] Branch

**HEYWOOD & DISTRICT
COMMUNITY ENTERPRISE LTD
ABN 25 137 222 345**

**2010
ANNUAL
REPORT**

**Heywood & District
Community Bank® Branch**

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For year ending 30 June 2010



I am proud to present on behalf of my fellow directors the first annual report of the Heywood & District Community Enterprise Limited to our shareholders, supporters and community.

Our Company owns and operates a franchise of Bendigo and Adelaide Bank Limited.

Sponsorships

Community Banking is much more than providing efficient banking services. It also involves being a community leader, helping good things happen in our community. Up until now we have handed back to our community relatively small amounts of funds to various community groups. As our business grows we will be investing much larger amounts back into the community. When we reach \$10 million on our books we will distribute \$10,000 back into our community through the grants program.

The concept is very simple really. The better our **Community Bank**[®] branch performs the more funds are invested back into our community. So when you understand the concept why wouldn't you bank with us?

A list of sponsorship we entered into up until 30 June 2010 is listed at the end of my report. And we had only been open for five weeks! Imagine what we can do when we have been open for 12 months or more and once we get to \$10 million on our books.

I should point out that the funding for these sponsorships is via a Market Development Fund provided by Bendigo and Adelaide Bank Limited and obviously does not negatively impact on our profitability.

Acknowledgements

Members of the Steering Committee and the Board have been working on this project for three years. The demands we put on our volunteers increased the closer we came to opening date. The demands on our board members will become greater as our business continues to grow.

I would like to thank all board members for their involvement leading up to the opening of our bank. And I wish to particularly thank our Company Secretary Robyn Phillips and Treasurer Nancy Genardini, for their excellent contributions over the years.

Bendigo Bank staff members, Tim Birthisel and Tim Meade from the **Community Bank[®]** Department, and our Regional Manager Gary Atrill really helped us to make our bank happen.

John Cain, our mentor, and Terry, Nola and the staff at Portland branch have always been available to help and we thank them for assistance in training and guiding us during the past few years.

I would also like to thank Sue and Craig Keating for making available their building in a prime location for our new branch. This has allowed us to have a state of the art fit out and provide a more personal service to our customers.

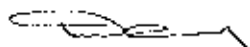
Staffing

One of the key ingredients to the success of our branch is the quality of our staff. We have a qualified experienced team with Jennifer, Rita, Janene and Jade and the Board is extremely excited to be working with this team.

The future

We expect our business to become profitable when we reach \$23 million. Our projections indicate we could reach \$23 million within the first two years. We need your support to reach this milestone.

The more profitable our branch becomes the more our community benefits in a variety of ways. Every bit helps us to achieve our goals.



Des Gray
Chairman

Sponsorships to date

Heywood Wood Wine & Roses Committee	\$400
Heywood Model Train Group	\$250
Heywood Golf Club	\$300
Heywood Kindergarten	\$250
Heywood Singers Group	\$250
Heywood Football Netball Group	\$500
Heywood Rural Health Community Bus	\$1,000
Heywood consolidated School Equestrian Event	\$125
Heywood Lions Ladies	\$250
Heywood T.O.W.N. Club	\$250
Heywood & District Garden Club	\$250
Heywood Golf Club	\$250
	\$4,075

Manager's report

For year ending 30 June 2010

It has been three months since opening day and it has been exciting being part of business which has grown by more than 30% during this time. And the more our business grows – the closer we get to enabling incredible things to happen in our community.

Even before we opened I had the privilege to present the trophy sponsored by the Heywood & District Community Enterprise Limited for the Heywood Consolidated School Interschool Equestrian Games Day. The award was proudly won by Will Petersen from Macarthur Primary School. The opportunity to help make the day happen is an example of the great things we can do and Will's excitement winning and receiving the trophy really made the day.



Some other key highlights include:

- We have opened with a full complement of well-trained staff and are able to provide all banking services to our community. Staff include:
 - Jennifer Tod – Branch Manager
 - Rita Handreck – Customer Relationship Officer
 - Janene Soden – Customer Service Officer
 - Jade Barr – Customer Service Officer



- Our new premises which are light, clean, new and warm and welcoming. And in a fantastic location in the heart of the Heywood Shopping Precinct.
- Our day for our shareholders was held on 12 August 2010. This was our opportunity to say thank you to everyone who helped to make our business happen. We received positive feedback from all who attended and will definitely be making this a regular six monthly event.

Thank you to everyone for your support.

A handwritten signature in black ink that reads 'Jennifer A. Tod'.

Jennifer A Tod
Branch Manager

Heywood and District Community Enterprise Ltd

Mission Statement:

The Heywood and District Community Enterprise Ltd will strive for excellence:

- By providing a permanent banking service for the Heywood and District Community
- By providing competitive financial services, products and rates to the Heywood and District Community
- By providing the best possible service to our customers
- By actively involving itself in the continued growth and development of the Heywood area to contribute to both the financial and overall well being of its citizens
- By providing our staff with the opportunity for self development, a positive and meaningful workplace and the opportunity to contribute to the development of the organisation and its community

Our values will be underpinned by everything we do and our approach will be reflected in the general thrust of the words and deeds of this business.

Background

Heywood is a small rural community located in the south western corner of Victoria and lies within the Shire of Glenelg. The town is strategically located at the junction of the Princes & Henty highways and also has a rail line that provides access to the Port of Portland, some 26km to the south.

The Heywood township has a wide range of community services available and provides a pleasant environment in which to live as evidenced by the town slogan "Heywood, a great place to live!" The town supports both a primary and secondary school along with a rural health service that provides acute, aged care and primary care services to Heywood & District residents.

Agricultural activities are the main sources of income and provide a stable platform for the support of the business community in Heywood. The area is fortunate to have reliable rainfall and this, along with the fertile nature of the soil, brings certainty and a level of prosperity to the district. Farming activities include dairying, grazing and plantation operations. Heywood businesses are well organised and cover most areas of need for the rural and urban populations. Tourism is a growing segment within the district and the Lake Condah mission is being developed as a significant state and national heritage attraction. The Lake Condah site is currently seeking World Heritage listing and when that process is successfully completed Heywood and District will become an iconic tourism destination.

Banking

In the early 1990's Heywood had 2 major banks trading in the town.

Since then Heywood has experienced the closure of the Commonwealth and Westpac Banks, both of whom now rely on agency agreements to provide limited services to the residents of Heywood & District. Portland, 26km to the south, is the nearest provider of full service banking facilities where all major banks are represented. The ANZ and St George banks also offer limited banking facilities from within existing business premises in the town.

In October 2006, three Heywood business leaders saw the need for the reinstatement of full banking services for Heywood. They identified the Bendigo Community banking model as being worthy of investigation and in July 2007 the Heywood Community Bank steering committee was formed. The steering committee undertook community consultation and began to seek the support of the community to establish a community bank in Heywood. It was obvious very early on that the project enjoyed widespread community support. The feasibility study was commissioned in December 2008 and the report was accepted by the steering committee in March 2009. The feasibility study provided an analysis of the support for the project and gave an indication as to the financial viability of a community bank in Heywood. After close consideration, the steering committee made application to the Bendigo Bank to proceed with the project and to undertake the work required to launch a prospectus. The steering committee formally adopted the business name Heywood and District Community Enterprise Inc.

The successful prospectus launch and capital raising program led us to that historic day on May 26th when we opened the Heywood and District Community Bank for business. The opening of our Community bank branch did not signal the end of the journey, rather it signalled the start of an exciting opportunity for the Heywood and District community.

An opportunity that is ALL UP TO US!

Philosophy and Goals:

The Directors of Heywood and District Community Enterprise Ltd are charged with the responsibility of the governance of the Company, rather than the day to day management. They hold responsibility to the Heywood and District community, the HDCE Ltd shareholders and the Bendigo Bank as our banking partners. The Board Members also carry legal and fiduciary obligations as directors of a public company. The board directors are expected to be ambassadors of the community company within the local community.

Accordingly, the board will govern with:

- Strategic leadership and NOT administrative detail
- Encouragement of diversity of opinions and views
- Collective rather than individual decisions
- Future rather than present focus
- A clear distinction between board roles and Branch manager roles
- Proactivity rather than reactivity

The Board will focus on:

- The development of our community investment program and to build on the community awareness and acceptance of the benefits associated with the program
- Identify and pursue target markets and ensure the appropriate resources are allocated to achieve the targets set
- Recognise that the success of our business will be reliant on our ability to direct benefits arising from our business to the community and to ensure that those community benefits provide the basis from which we can grow our business
- Promote the banking services and products offered as competitive whilst retaining the focus on community benefits and local consumer convenience.

Business Banking

We will promote the benefits of retaining profits from banking services within our own community and develop strategies to communicate our message to the business operators in the town. The branch manager will be making regular visits to local traders to develop a relationship with them and to regularly update them on the services we provide.

Local Residents

We will need to build on the support identified in the feasibility study to turn that support into banking business in our branch. Directors of the company will be active in disseminating information about our community banking services and the community benefits that accrue. Staff will be trained in providing exceptional customer service to complement and advance the philosophy of our business. Word of mouth promotion is pivotal to the successful growth of our business.

Shareholders

Shareholders are the backbone of our business. Each and every one of them is pivotal to the success our business. We will guarantee to provide them with unrivalled customer service and to ensure that the communication with them is effective and timely. Personal contact with them by both staff of the community bank and directors of the company is essential and must be regular.

Community Groups and Organisations

It is essential that we engage with local community groups and organisations. We need to target our grants and sponsorships to maximise the benefits to the community and to the continued growth and development of the business.

These themes have been consistently cited as the basis for our Community bank campaign from day one, way back in 2006. Shareholders will remember the prospectus launch and the information campaign that led us to where we are today - with a fully operational, purpose built Community Bank that operates 6 days a week and employing 4 local people. But this is just the beginning. The real benefits will only flow on to our community if we all embrace the Community Bank concept and use the services provided by our own Heywood and District Community bank. The greater the support from our shareholders and our community to utilise the Heywood and District Community bank, the greater the benefits to be fed back into our local community. Remember, this is all up to us! Governments, councils and big business cannot make this happen - the success of this community enterprise is all up to US!

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Directors' Report

Your Directors submit their report of the Company for the financial period ended 30 June 2010.

Directors

The names and details of the Company's directors who held office during or since the end of the financial period are:

Desmond Newton Gray
Chairman
Company Director

Gregory Phillip Coliver
Director
Farmer

Nancy May Genardini
Director
Office Manager

Rosalie Linda Hart
Director
Administration Officer

Robin Vinson Walter
Director
Forrest Officer

Craig James Keating
Director
Pharmacist

Andrew George McRae
Director
Dairy Farmer

Jacob Jan Doeven
Director
Small Business Operator

Darryl James Melano
Director
Small Business Operator

Robyn Leslie Phillips
Company Secretary
Customer Relations Manager

Directors were in office for this entire period unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

The principal activities of the Company during the course of the financial period were in providing community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the period.

Operating Results

Operations have performed in line with expectations. The loss of the Company for the financial period after provision for income tax was (\$69,602).

Dividends

No dividends were declared or paid during the year.

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 period under review not otherwise disclosed in this report.

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Directors' Report

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial period 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 providing banking services to the community.

Directors' Benefits

No Director has received or become entitled to receive, during or since the financial period, 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. 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board Meetings #	Audit Committee Meetings #
Desmond Newton Gray	10 (12)	0 (0)
Gregory Phillip Colliver	9 (12)	0 (0)
Nancy May Genardini	12 (12)	0 (0)
Rosalie Linda Hart	12 (12)	0 (0)
Robin Vinson Walter	9 (12)	N/A
Craig James Kealing	2 (12)	N/A
Andrew George McRae	12 (12)	N/A
Jacob Jan Doeven	10 (12)	N/A
Darryl James Melano	12 (12)	N/A
Robyn Leslie Phillips	10 (12)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Directors' Report

Company Secretary

Robyn Leslie Phillips has been the Company secretary of Heywood & District Community Enterprise Limited since 8 June 2010. Robyn has a number of years experience as a customer relationship manager.

Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are
Desmond Newton Gray
Gregory Phillip Colliver
Nancy May Genardini
Rosalie Linda Hart
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The directors received the following declaration from the auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants



172 Melvor Rd
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Heywood & District Community Enterprise Limited for the financial period ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
Bendigo
12 October 2010

Signed in accordance with a resolution of the Board of Directors at Heywood on 12 October 2010.

Desmond Newton Gray, Chairman

Heywood & District Community Enterprise Limited

ABN 25 137 222 345

Statement of Comprehensive Income

for the period ended 30 June 2010

	<u>Notes</u>	2010 \$
Revenue from ordinary activities	2	29,519
Employee benefits expense	3	(55,305)
Charitable donations and sponsorship		(2,132)
Depreciation and amortisation expense	3	(12,179)
Other expenses from ordinary activities		<u>(53,602)</u>
Profit/(loss) before income tax expense		(93,699)
Income tax benefit	4	<u>(24,497)</u>
Profit/(loss) after income tax expense		(69,202)
Other comprehensive income		<u>-</u>
Total comprehensive Income		<u><u>(69,202)</u></u>
Earnings per share (cents per share)		
- basic for profit / (loss) for the period	21	(9.53)
- diluted for profit / (loss) for the period	21	(9.53)

The accompanying notes form part of these financial statements

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Statement of Financial Position
As at 30 June 2010

	<u>Notes</u>	2010 \$
Current Assets		
Cash and cash equivalents	6	310,629
Receivables	7	38,791
Total Current Assets		<u>349,420</u>
Non-Current Assets		
Property, plant and equipment	8	214,725
Deferred tax assets	4	24,497
Intangible assets	9	99,000
Total Non-Current Assets		<u>338,222</u>
Total Assets		<u>687,642</u>
Current Liabilities		
Payables	10	42,482
Provisions	11	4,230
Total Current Liabilities		<u>46,712</u>
Total Liabilities		<u>46,712</u>
Net Assets		<u>640,930</u>
Equity		
Share capital	12	710,132
Retained earnings / (accumulated losses)	13	(69,202)
Total Equity		<u>640,930</u>

The accompanying notes form part of these financial statements

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Statement of Cash Flows
For the period ended 30 June 2010

	<u>Notes</u>	2010 \$
Cash Flows From Operating Activities		
Cash receipts in the course of operations		23,255
Cash payments in the course of operations		(113,509)
Interest received		5,701
Net cash flows from/(used in) operating activities	14b	<u>(84,553)</u>
Cash Flows From Investing Activities		
Payment for intangible assets		(110,000)
Payments for property, plant and equipment		(215,904)
Net cash flows from/(used in) investing activities		<u>(325,904)</u>
Cash Flows From Financing Activities		
Proceeds from issue of shares		726,060
Equity raising costs		(4,974)
Net cash flows from/(used in) financing activities		<u>721,086</u>
Net increase/(decrease) in cash held		310,629
Cash and cash equivalents at start of period		-
Cash and cash equivalents at end of period	14a	<u><u>310,629</u></u>

The accompanying notes form part of these financial statements

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Statement of Changes in Equity
for the period ended 30 June 2010

	<u>Notes</u>	2010 £
SHARE CAPITAL		
Balance at start of period		-
Issue of share capital		726,060
Equity raising costs		<u>(15,928)</u>
Balance at end of period		<u>710,132</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of period		-
Profit/(loss) after income tax expense		(69,202)
Dividends paid	20	<u>-</u>
Balance at end of period		<u>(69,202)</u>

The accompanying notes form part of these financial statements

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Notes to the Financial Statements
for the period ended 30 June 2010

1. Basis of preparation of the Financial Report

(a) Basis of preparation

Heywood & District Community Enterprise Limited ('the Company') is domiciled in Australia. The financial statements for the period ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 12 October 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Heywood & District Community Enterprise Limited

ABN 25 137 222 345

Notes to the Financial Statements

for the period ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Leasehold Improvements	2.5%
Furniture & Fittings	20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Notes to the Financial Statements
for the period ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

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 Statement of Financial Position. 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 ATO are classified as operating cash flows.

Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Notes to the Financial Statements
for the period ended 30 June 2010

1. Basis of preparation of the Financial Report (continued)

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Loans and Borrowings

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

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.

Share Capital

Issued and paid up capital is 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.

Comparative figures

The entity commenced operations during the period, hence there are no comparative figures.

2. Revenue from ordinary activities	2010
	\$
Operating activities	
- services commissions	2,043
- other revenue	21,775
Total revenue from operating activities	<u>23,818</u>
Non-operating activities:	
- interest received	5,701
- other revenue	-
Total revenue from non-operating activities	<u>5,701</u>
Total revenue from ordinary activities	<u><u>29,519</u></u>

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Notes to the Financial Statements
for the period ended 30 June 2010

3. Expenses	2010
	\$
Employee benefits expense	
- wages and salaries	44,722
- superannuation costs	3,846
- employee entitlements	4,230
- other costs	2,507
	<u>55,305</u>
 Depreciation of non-current assets:	
- plant and equipment	115
- property improvements	1,064
 Amortisation of non-current assets:	
- intangibles	11,000
	<u>12,179</u>
 Finance Costs:	
- Interest paid	-
 Bad debts	11
 4. Income Tax Expense	
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:	
Prima facie tax on profit/(loss) before income tax at 30%	(28,110)
Add tax effect of:	
- Non-deductible expenses	3,613
- Future income tax benefit not brought to account	-
<i>Current income tax expense / (benefit)</i>	<u>(24,497)</u>
 Income tax expense / (benefit)	<u>(24,497)</u>
 Deferred tax assets	
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>24,497</u>

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Notes to the Financial Statements
for the period ended 30 June 2010

5. Auditors' Remuneration

2010

\$

Amounts received or due and receivable by Richmond,
Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	2,900
- Completion of feasibility study	6,000
- Accounting work for prospectus	2,000
	<u>10,900</u>

6. Cash and Cash Equivalents

Cash and cash equivalents	310,629
	<u>310,629</u>

7. Receivables

GST receivable	37,434
Trade debtors	1,357
	<u>38,791</u>

8. Property, Plant and Equipment

Leasehold Improvements

At cost	204,145
Less accumulated depreciation	(1,064)
	<u>203,081</u>

Furniture & Fittings

At cost	11,759
Less accumulated depreciation	(115)
	<u>11,644</u>

Total written down amount	<u>214,725</u>
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Movements in carrying amounts

Leasehold Improvements

Carrying amount at beginning of period	-
Additions	204,145
Disposals	-
Depreciation expense	(1,064)
Carrying amount at end of period	<u>203,081</u>

Furniture & Fittings

Carrying amount at beginning of period	-
Additions	11,759
Disposals	-
Depreciation expense	(115)
Carrying amount at end of period	<u>11,644</u>

Heywood & District Community Enterprise Limited
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Notes to the Financial Statements
for the period ended 30 June 2010

9. Intangible Assets

	2010
	\$
<i>Franchise Fee</i>	
At cost	10,000
Less accumulated amortisation	<u>(1,000)</u>
	<u>9,000</u>
<i>Preliminary Expenses</i>	
At cost	100,000
Less accumulated amortisation	<u>(10,000)</u>
	<u>90,000</u>
	<u><u>99,000</u></u>

10. Payables

Trade creditors	20,284
Equity raising costs	10,954
Other creditors and accruals	<u>11,244</u>
	<u><u>42,482</u></u>

11. Provisions

Employee benefits	<u>4,230</u>
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12. Share Capital

726,060 Ordinary Shares fully paid of \$1 each	726,060
Less: Equity raising costs	<u>(15,928)</u>
	<u><u>710,132</u></u>

13. Retained Earnings / (Accumulated Losses)

Balance at the beginning of the financial period	-
Profit/(loss) after income tax	(69,202)
Dividends	<u>-</u>
Balance at the end of the financial period	<u><u>(69,202)</u></u>

Heywood & District Community Enterprise Limited

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Notes to the Financial Statements

for the period ended 30 June 2010

14. Statement of Cash Flows	2010
	\$
(a) Cash and cash equivalents	
Cash assets	310,629
Bank overdraft	-
	<u>310,629</u>
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities	
Profit / (loss) after income tax	(69,202)
Non cash items	
- Depreciation	1,179
- Amortisation	11,000
Changes in assets and liabilities	
- (Increase) decrease in receivables	(38,791)
- (Increase) decrease in deferred tax assets	(24,497)
- Increase (decrease) in payables	31,528
- Increase (decrease) in provisions	4,230
Net cashflows from/(used in) operating activities	<u>(84,553)</u>

15. Director and Related Party Disclosures

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

Desmond Newton Gray
Gregory Phillip Colliver
Nancy May Genardini
Rosalie Linda Hart
Robin Vinson Walter
Craig James Keating
Andrew George McRae
Jacob Jan Doeven
Darryl James Melano
Robyn Leslie Phillips

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.

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Notes to the Financial Statements
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15. Director and Related Party Disclosures (continued)

Directors shareholdings	2010
Desmond Newton Gray	21,001
Gregory Phillip Colliver	6,251
Nancy May Genardini	1,001
Rosalie Linda Hart	6,001
Robin Vinson Walter	2,001
Craig James Keating	20,001
Andrew George McRae	15,001
Jacob Jan Doeven	4,001
Darryl James Melano	5,001
Robyn Leslie Phillips	501

All shares were purchased during the period. Each share held has a paid up value of \$1 and is fully paid.

16. Subsequent Events

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

17. Contingent Liabilities

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

18. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Heywood, Victoria.

19. Corporate Information

Heywood & District Community Enterprise Limited is a company limited by shares incorporated in Australia.

The registered office is: 25 – 27 Scott Street,
Heywood Vic 3304

The principal place of business is: 61 Edgar Street
Heywood VIC 3304

Heywood & District Community Enterprise Limited
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Notes to the Financial Statements
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20. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the period.

21. Earnings per share

2010
\$

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	<u>(69,202)</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>726,060</u>

Heywood & District Community Enterprise Limited

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Notes to the Financial Statements

For the period ended 30 June 2010

22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting 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. The Company's maximum exposure to credit risk at reporting date was:

	Carrying Amount 2010 \$
Cash assets	310,629
Receivables	38,791
	<u>349,420</u>

The Company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the Company are past due and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Heywood & District Community Enterprise Limited

ABN 25 137 222 345

Notes to the Financial Statements

For the period ended 30 June 2010

22. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

30 June 2010	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
Payables	42,482	(42,482)	(42,482)	-	-
	<u>42,482</u>	<u>(42,482)</u>	<u>(42,482)</u>	<u>-</u>	<u>-</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying Amount 2010 \$
Fixed rate instruments	
Financial assets	84,638
Financial liabilities	-
	<u>84,638</u>
Variable rate instruments	
Financial assets	225,991
Financial liabilities	-
	<u>225,991</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. This assumes all other variables remain constant.

Heywood & District Community Enterprise Limited

ABN 25 137 222 345

Notes to the Financial Statements

For the period ended 30 June 2010

22. Financial risk management (continued)

(d) 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 year end.

(e) 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 Statement of Financial Position.

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 period ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

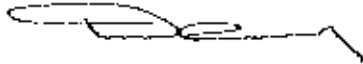
There were no changes in the Company's approach to capital management during the period.

Heywood & District Community Enterprise Limited
ABN 25 137 222 345
Directors' Declaration

In accordance with a resolution of the directors of Heywood & District Community Enterprise Limited, I 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 2010 and of their performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.



Desmond Newton Gray, Chairman

Signed at Heywood on the 12 October 2010.

Richmond Sinnott & Delahunty

Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HEYWOOD & DISTRICT COMMUNITY ENTERPRISE LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Phillip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Heywood & District Community Enterprise Limited, for the period ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Heywood & District Community Enterprise Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the period ended on that date;
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants



W. J. SINNOTT
Partner
Bendigo

Date: 12 October 2010

Richmond Sinnott & Delahunty

Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

12 October 2010

The Directors
Heywood & District Community Enterprise Limited
PO Box 729
Buninyong Vic 3357

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Heywood & District Community Enterprise Limited for the period ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Heywood & District **Community Bank**[®] Branch
61 Edgar Street, Heywood VIC 3304
Phone: (03) 5527 1080

Franchisee: Heywood & District Community Enterprise Limited
61 Edgar Street, Heywood VIC 3304
Phone: (03) 5527 1856
ABN: 25 137 222 345

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The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
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