

Heywood & District
Community Enterprise Limited

ABN 25 137 222 345

annual report 2011



HEYWOOD & DISTRICT

COMMUNITY ENTERPRISE LTD

ABN 25 137 222 345

2011

ANNUAL

REPORT

**Heywood & District
Community Bank® Branch**

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For year ending 30 June 2011



I am proud to present on behalf of my fellow Directors the second annual report of Heywood & District Community Enterprise Ltd.

Our Company owns and operates a franchise of Bendigo and Adelaide Bank. This being our first 12 months of operation after opening on 26 May 2010 it has been challenging and rewarding with the support of our shareholders along with our many new account holders. We look forward to the continued growth.

According to our prospectus we anticipated a loss in year one of \$356,609. Our actual loss for year one is \$182,798. This is a pleasing result due to stringent cost control and positive growth in our margins and fees.

Banking with our **Community Bank**[®] branch enables us to generate funds through the Market Development Fund provided by Bendigo and Adelaide Bank which does not impact on our profitability. As we work towards a portfolio of \$20 million we will receive \$20,000 per annum to be used to support our community in sponsorships and grants. A list of sponsorship and grants we were able to supply from requests from the past 12 months ending 30 June 2011 is listed at the end of my report.

Remember the better our branch performs the more we will be able to distribute. The concept is simple. Why wouldn't you bank with us!

Our Board consists of ten volunteers who have given hours of service to ensure the Company continues to support our community. I am very grateful to all Board members for their involvement and commitment. A special thank you to Company Secretary Robyn Phillips and Treasurer Nancy Genardini for the hours you have generously contributed.

This partnership with Bendigo and Adelaide Bank involves many dedicated Bendigo and Adelaide Bank staff members to ensure the viability of our branch. A special thank you goes to Regional Manager, Gary Attrill, for his friendship and advice. We have also appreciated the support from Brenton Morgan, Business Manager, Rowan Blair, Agribusiness Manager, and Geoff White, Retail Lending Manager.

Thank you to the members of the Portland branch of Bendigo Bank, in particular Terry Mewha, Branch Manager, and Nola Pettingill, Customer Relationship Manager, for their ongoing support and advice.

And a particular thank you to John Kane, Secretary for Coleraine & District **Community Bank**[®] Branch, who has continued to provide valuable mentoring to our Board.

We are indebted to our wonderful and dedicated staff, Jennifer your leadership has been outstanding and your contribution at our Board meetings is valued. Rita, Jade and Lee-Ann thank you for your friendship, knowledge and community involvement, always with a smile. The Board are proud to have you all involved with this wonderful concept.

2011 Sponsorships and Grants

Tyrendarra Sporting Clubs Rodeo	Sponsorship	\$250
Heywood Probus	Grant	\$300
Heywood Wood Wine & Roses	Sponsorship	\$500
Heywood Rural Health Murray to Moyne	Sponsorship	\$300
Heywood Golf Club Autumn Event	Sponsorship	\$300
Heywood Consolidated School Equestrian	Event	\$120
Heywood Rural Health	Sponsorship	\$300
Promoting Heywood Model Train Group	Grant	\$250
Fitzroy River Quilters	Sponsorship	\$250
Heywood Football Netball Club	Sponsorship	\$500



Des Gray
Chairman

Branch Manager's report

For year ending 30 June 2011



Growing our portfolio of lending and deposits has been our greatest challenge during 2010/2011. It is very rewarding each time we reach a key target. The \$10 million milestone meant that we had \$10,000 of sponsorship and grant money from Bendigo and Adelaide Bank to distribute from our Market Development Fund into our community for the next 12 months. At the end of 2010/2011 we were receiving \$15,000 per annum from Bendigo and Adelaide Bank into our Market Development Fund because we had achieved a portfolio of \$15 million.

Both lending and deposits have increased steadily during the 12 months, resulting in a balanced portfolio for our branch. This is pleasing given the highly competitive deposit rate market. We now have 586 customers and 873 accounts.

There were many highlights during the year. Our first birthday party on 26 May 2011 was a great celebration of this particular milestone. One of our staff goals for the year was to participate in community events. One highlight was manning the Wood Wine & Roses gates for a couple of hours. We have enjoyed delivering meals on wheels each month and will continue this commitment through 2010/2011.

We held our first Community Planning Session on 16 March 2011. From this evening we gained a more strategic direction for the distribution of our sponsorship funds. When our portfolio reached \$15 million we receive \$15,000 from Bendigo and Adelaide Bank for sponsorship into our community during the next 12 months. We now have the opportunity to be more strategic about using these funds to make a difference in our community. From the forum we have a list of projects which are important for our community.

It was pleasing to be recognised for excellent customer service and going the extra mile. Rita was presented with Vision Australia's 'Making a Difference' Award for going the extra mile.

During the year we said goodbye to Janene Soden before Christmas. Janene accepted a position with the Portland branch of Bendigo Bank. Lee-Ann Gibbins commenced with us in February as our new Customer Service Officer. Welcome Lee-Ann.

It is going to be a huge challenge to grow our businesses by a further \$12 million during the next year. One of our key aims is to increase the number of relationships with a customer to at least two products.

Thank you to the staff, Directors and most importantly, our customers. And of course we couldn't have done this without the support of our community. Thank you.

Jennifer A. Tod
Branch Manager

Heywood and District Community Enterprise Ltd

The Annual General Meeting of our enterprise is a time to become informed as a shareholder on the current position of the organisation. As shareholders we need to measure our progress against the stated aims and objectives of the business, become informed about how the Company has reached the current position and to seek an understanding of the future direction and aspirations of the organisation. This report will make clear all of these matters and it is most important that all stakeholders take the time to read and understand the report and to exercise their rights as shareholders to participate in the process.

The unique nature of the Heywood & District Community Enterprise (HDCE) business model means that shareholders have the ability to impact directly on the success of the business, which in turn will improve the outcomes for their personal investment in the operation while at the same time producing wonderful outcomes to the Heywood and District community. In the short time since our branch opening on 26 May 2010, HDCE has contributed more than \$9,000 in grants and sponsorships to local community groups. This is just the beginning! We have the opportunity; indeed we have an obligation, to continue to grow our business to strengthen our community relationships and to realise the full potential of the Community Bank[®] model. We all need to back up our shareholder investment with a considered effort to utilise the products and services offered by our Community Bank[®] branch. After all if you have made an investment in HDCE it makes good sense to support the enterprise by taking positive action to ensure the continued and accelerated growth of our banking business.

At the 2011 Community Bank[®] National Conference in Sydney, 700 delegates representing 278 Community Bank[®] branches heard real stories about the fantastic outcomes for communities across the nation - made possible by the successful implementation of the Community Bank[®] model. Innovation and leadership demonstrated by Community Bank[®] Companies has produced remarkable results for shareholders and communities alike. But none of this would be possible if we were not able to offer first class banking services provided over SIX days a week by committed and empowered staff. We strive to provide the ultimate in customer service in our Community Bank[®] branch, service provided by local people who fully understand the needs and aspirations of our community. To complete the snapshot of the Community Bank[®] model consider the following:-

-586,000 customers supporting their local Community Bank[®] branch with banking business in the form of 868,000 accounts worth more than \$19.5 billion

-1,411 staff members supported by 1,740 volunteer Directors, representing 68,000 shareholders

Our Community Bank[®] branch is still in the early stages and there is still much to do. The Directors of HDCE are committed to driving our business forward with the help of well trained and well resourced staff who fully understand the products and services we offer. We need the support of our shareholders and our community to work together to make our own success stories. It is all up to US! We all need and use banking services. Why would you look anywhere else! Great customer service, great products and services backed by a top class Australian company in Bendigo and Adelaide Bank. And all the while building on your investment in our Company and building a better community right where you live!

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.

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 how community benefits that accrues from our customers' banking business. 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[®] branch 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[®] branch 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[®] branch that operates six days a week and employing four 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[®] Branch. The greater the support from our shareholders and our community to utilise Heywood and District Community Bank[®] Branch, 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 Ltd accounts prepared for auditor and Annual Taxation completed by

Jodie Missen *B.Bus, Grad Dip ICAA, CA*
Principal

WHK Hamilton

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

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

Directors

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

Desmond Newton Gray Chairman Company Director	Gregory Phillip Colliver 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 year 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 year 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 year.

Review of Operations

Operations have performed in line with expectations. The loss of the Company for the financial year after provision for income tax was \$121,578 (2010: \$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 year 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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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 providing banking services to the community.

Remuneration Report

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. 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 #
Desmond Newton Gray	11 (11)
Gregory Phillip Colliver	7 (11)
Nancy May Genardini	9 (11)
Rosalie Linda Hart	11 (11)
Robin Vinson Walter	7 (11)
Craig James Keating	1 (11)
Andrew George McRae	10 (11)
Jacob Jan Doeven	7 (11)
Darryl James Melano	8 (11)
Robyn Leslie Phillips	10 (11)

*# 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.*

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
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

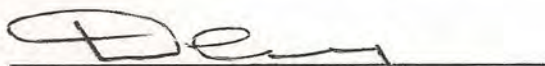
Level 2, 10-16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Heywood & District Community Enterprise Limited for the financial year ended 30 June 2011, 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
21 September 2011

Signed in accordance with a resolution of the Board of Directors at Heywood on 21 September 2011.


Desmond Newton Gray, Chairman

Heywood & District Community Enterprise Limited

ABN 25 137 222 345

Statement of Comprehensive Income
for the year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenue from continuing operations	2	148,635	29,519
Employee benefits expense	3	(188,553)	(55,305)
Charitable donations and sponsorship		(1,713)	(2,132)
Depreciation and amortisation expense	3	(28,771)	(12,179)
Other expenses		<u>(112,396)</u>	<u>(53,602)</u>
Profit/(loss) before income tax expense		(182,798)	(93,699)
Income tax benefit	4	<u>(61,220)</u>	<u>(24,497)</u>
Profit/(loss) after income tax expense		(121,578)	(69,202)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>(121,578)</u></u>	<u><u>(69,202)</u></u>
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(16.68)	(9.53)
- diluted for profit / (loss) for the year	21	(16.68)	(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 2011

	<u>Notes</u>	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	195,100	310,629
Receivables	7	4,239	38,791
Total Current Assets		<u>199,339</u>	<u>349,420</u>
Non-Current Assets			
Property, plant and equipment	8	180,351	214,725
Deferred tax assets	4	85,717	24,497
Intangible assets	9	77,000	99,000
Total Non-Current Assets		<u>343,068</u>	<u>338,222</u>
Total Assets		<u>542,407</u>	<u>687,642</u>
Current Liabilities			
Payables	10	11,597	42,482
Provisions	11	8,155	4,230
Total Current Liabilities		<u>19,752</u>	<u>46,712</u>
Total Liabilities		<u>19,752</u>	<u>46,712</u>
Net Assets		<u>522,655</u>	<u>640,930</u>
Equity			
Share capital	12	713,435	710,132
Accumulated losses	13	(190,780)	(69,202)
Total Equity		<u>522,655</u>	<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 year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		191,903	23,255
Cash payments in the course of operations		(346,439)	(113,509)
Interest received		8,101	5,701
Net cash flows from/(used in) operating activities	14b	<u>(146,435)</u>	<u>(84,553)</u>
Cash Flows From Investing Activities			
Payment for intangible assets		-	(110,000)
Proceeds / (payments) for property, plant and equipment		27,603	(215,904)
Net cash flows from/(used in) investing activities		<u>27,603</u>	<u>(325,904)</u>
Cash Flows From Financing Activities			
Proceeds from issue of shares		3,000	726,060
Equity raising costs		303	(4,974)
Net cash flows from/(used in) financing activities		<u>3,303</u>	<u>721,086</u>
Net increase/(decrease) in cash held		(115,529)	310,629
Cash and cash equivalents at start of year		310,629	-
Cash and cash equivalents at end of year	14a	<u><u>195,100</u></u>	<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 year ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
SHARE CAPITAL			
Balance at start of year		710,132	-
Issue of share capital		3,000	726,060
Equity raising costs		<u>303</u>	<u>(15,928)</u>
Balance at end of year		<u>713,435</u>	<u>710,132</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)			
Balance at start of year		(69,202)	-
Profit/(loss) after income tax expense		(121,578)	(69,202)
Dividends paid	20	<u>-</u>	<u>-</u>
Balance at end of year		<u>(190,780)</u>	<u>(69,202)</u>

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 year ending 30 June 2011 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 21 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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.

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 year ended 30 June 2011

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).

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

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The entity commenced operations during the prior period and hence the comparative figures are for the period ending 30 June 2010.

2. Revenue from continuing operations

	2011	2010
	\$	\$
Operating activities		
- services commissions	34,182	2,043
- other revenue	106,352	21,775
	<u>140,534</u>	<u>23,818</u>
Non-operating activities:		
- interest received	8,101	5,701
- other revenue	-	-
	<u>8,101</u>	<u>5,701</u>
	<u>148,635</u>	<u>29,519</u>

Heywood & District Community Enterprise Limited

ABN 25 137 222 345

Notes to the Financial Statements

for the year ended 30 June 2011

3. Expenses

	2011	2010
	\$	\$
Employee benefits expense		
- wages and salaries	161,085	44,722
- superannuation costs	14,629	3,846
- employee entitlements	3,925	4,230
- other costs	8,914	2,507
	<u>188,553</u>	<u>55,305</u>
Depreciation of non-current assets:		
- plant and equipment	2,329	115
- property improvements	4,442	1,064
Amortisation of non-current assets:		
- intangibles	22,000	11,000
	<u>28,771</u>	<u>12,179</u>
Bad debts	44	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%	(54,839)	(28,110)
Add tax effect of:		
- Non-deductible expenses	(6,381)	3,613
<i>Current income tax expense / (benefit)</i>	<u>(61,220)</u>	<u>(24,497)</u>
Income tax expense / (benefit)	<u>(61,220)</u>	<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>85,717</u>	<u>24,497</u>
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5. Auditors' Remuneration

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

- Audit or review of the financial report of the Company
- Completion of feasibility study
- Accounting work for prospectus

	2011	2010
	\$	\$
	3,900	2,900
	-	6,000
	-	2,000
	<u>3,900</u>	<u>10,900</u>

6. Cash and Cash Equivalents

Cash and cash equivalents

195,100	310,629
<u>195,100</u>	<u>310,629</u>

7. Receivables

GST receivable

Trade debtors

4,239	37,434
-	1,357
<u>4,239</u>	<u>38,791</u>

8. Property, Plant and Equipment

Leasehold Improvements

At cost

Less accumulated depreciation

176,542	204,145
(5,506)	(1,064)
<u>171,036</u>	<u>203,081</u>

Furniture & Fittings

At cost

Less accumulated depreciation

11,759	11,759
(2,444)	(115)
<u>9,315</u>	<u>11,644</u>

Total written down amount

<u>180,351</u>	<u>214,725</u>
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Movements in carrying amounts

Leasehold Improvements

Carrying amount at beginning of year

Additions

Disposals

Depreciation expense

Carrying amount at end of year

203,081	-
-	204,145
(27,603)	-
(4,442)	(1,064)
<u>171,036</u>	<u>203,081</u>

Furniture & Fittings

Carrying amount at beginning of year

Additions

Disposals

Depreciation expense

Carrying amount at end of year

11,644	-
-	11,759
-	-
(2,329)	(115)
<u>9,315</u>	<u>11,644</u>

Notes to the Financial Statements
for the year ended 30 June 2011

9. Intangible Assets

	2011	2010
	\$	\$
<i>Franchise Fee</i>		
At cost	10,000	10,000
Less accumulated amortisation	<u>(3,000)</u>	<u>(1,000)</u>
	<u>7,000</u>	<u>9,000</u>
<i>Preliminary Expenses</i>		
At cost	100,000	100,000
Less accumulated amortisation	<u>(30,000)</u>	<u>(10,000)</u>
	<u>70,000</u>	<u>90,000</u>
	<u>77,000</u>	<u>99,000</u>

10. Payables

Trade creditors	1,430	20,284
Equity raising costs	731	10,954
Other creditors and accruals	<u>9,436</u>	<u>11,244</u>
	<u>11,597</u>	<u>42,482</u>

11. Provisions

Employee benefits	<u>8,155</u>	<u>4,230</u>
Movement in employee benefits		
Opening balance	4,230	-
Additional provisions recognised	12,391	4,230
Amounts utilised during the year	<u>(8,466)</u>	<u>-</u>
Closing balance	<u>8,155</u>	<u>4,230</u>

12. Share Capital

726,060 Ordinary Shares fully paid of \$1 each	729,060	726,060
Less: Equity raising costs	<u>(15,625)</u>	<u>(15,928)</u>
	<u>713,435</u>	<u>710,132</u>

13. Retained Earnings / (Accumulated Losses)

Balance at the beginning of the financial year	(69,202)	-
Profit/(loss) after income tax	(121,578)	(69,202)
Dividends	-	-
Balance at the end of the financial year	<u>(190,780)</u>	<u>(69,202)</u>

14. Statement of Cash Flows

	2011	2010
	\$	\$
(a) Cash and cash equivalents		
Cash assets	<u>195,100</u>	<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	(121,578)	(69,202)
Non cash items		
- Depreciation	6,771	1,179
- Amortisation	22,000	11,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	34,552	(38,791)
- (Increase) decrease in deferred tax assets	(61,220)	(24,497)
- Increase (decrease) in payables	(30,885)	31,528
- Increase (decrease) in provisions	3,925	4,230
Net cashflows from/(used in) operating activities	<u>(146,435)</u>	<u>(84,553)</u>

15. Director and Related Party Disclosures

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

15. Director and Related Party Disclosures (continued)

Directors shareholdings	2011	2010
Desmond Newton Gray	21,001	21,001
Gregory Phillip Colliver	6,251	6,251
Nancy May Genardini	1,001	1,001
Rosalie Linda Hart	6,001	6,001
Robin Vinson Walter	2,001	2,001
Craig James Keating	20,001	20,001
Andrew George McRae	15,001	15,001
Jacob Jan Doeven	4,001	4,001
Darryl James Melano	5,001	5,001
Robyn Leslie Phillips	501	501

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

16. Subsequent Events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

17. Contingent Liabilities and Assets

There were no contingent liabilities or assets 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

ABN 25 137 222 345

Notes to the Financial Statements
for the year ended 30 June 2011

20. Dividends paid or provided for on ordinary shares

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

21. Earnings per share

2011

2010

\$

\$

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year (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:

Loss after income tax benefit

(121,578)

(69,202)

Weighted average number of ordinary shares for basic and diluted earnings per share

729,060

726,060

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:

	<u>Carrying Amount</u>	
	2011	2010
	\$	\$
Cash assets	195,100	310,629
Receivables	4,239	38,791
	<u>199,339</u>	<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 (2010: nil 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.

22. Financial risk management (continued)

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

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
	\$	\$	\$	\$	\$
30 June 2011					
Payables	11,597	(11,597)	(11,597)	-	-
	<u>11,597</u>	<u>(11,597)</u>	<u>(11,597)</u>	<u>-</u>	<u>-</u>
30 June 2010					
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 2011	Carrying Amount 2010
	\$	\$
Fixed rate instruments		
Financial assets	162,456	84,638
Financial liabilities	-	-
	<u>162,456</u>	<u>84,638</u>
Variable rate instruments		
Financial assets	32,644	225,991
Financial liabilities	-	-
	<u>32,644</u>	<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.

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 year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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

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:

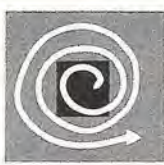
In the opinion of the directors:

- (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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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 21 September 2011.



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

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 year ended 30 June 2011.

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.



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61 Edgar Street, Heywood VIC 3304
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The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11019) (07/11)