

# annual report 2009



Mount Beauty & District  
Community Enterprise Limited  
ABN 87 126 422 062

Mount Beauty & District **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2009

Dear shareholder,

It gives me great pleasure to report to you the continued growth of our business, despite the doom and gloom of the global financial crisis. As I write this we have about \$42 million in business on the books, a fabulous achievement in less than 19 months.

The economic downturn and the reduction in interest rates has, however, squeezed our margins and the breakeven point has moved significantly higher than originally forecast. It gives me great pleasure to report to you that we have, indeed, reached our first monthly profit, in May this year, of about \$2,000. This has continued with a similar result in June. Breakeven has been achieved a full 5 months ahead of forecast.

Your Board is also looking at ways to expand the business into other fields to assist with viability and we have committed to bringing Bendigo Bank Telco to our community as a further benefit to subscribers and an income generator. Profits from this will be going to support the Mount Beauty Hospital.

We have also taken a decision to expand into the Corryong area and have already written some business in this town. There is an existing agent in the town and an ATM is being installed. Mark or one of his staff will be visiting on a regular basis.

We are particularly excited about the amount of money we have been able to distribute in the community already and the applications are coming thick and fast. To date more than \$16,000 has been returned to our community in the form of grants and sponsorships.

It is important for everyone to realise that we need to increase our business still further to ensure that this reinvestment in our community can continue to grow. I urge you all to encourage your friends as well as businesses and community groups you are involved in to bring business across to keep up our growth.

Mark, our Manager, and all the staff have done a wonderful job in getting us to the stage that we are at. Please feel free to discuss your banking requirements with them at any time, including such things as Insurance and Telco services.

This enterprise has brought five jobs to Mount Beauty and made a significant contribution to the community capital and will do even more as we go forward. Thank you for your support and your encouragement.



**Andrew Randell**  
**Chairman**

# Manager's report

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For year ending 30 June 2009

It is with pleasure that I submit my report as Manager of the Mount Beauty & District **Community Bank**<sup>®</sup> Branch.

This past twelve months has been very exciting, busy and enjoyable time for all involved. The Mount Beauty & District **Community Bank**<sup>®</sup> Branch is extremely fortunate to have five very capable, enthusiastic and professional staff who are committed to providing the standard of service that Bendigo Bank is renowned for.

We are also proud to announce that we had our first month of profit in May 2009. This is five months ahead of our planned target. We are not stopping there; we intend to continue to grow our business further. With the service we will provide to our new agent in Corryong, our business will continue to grow and both communities will benefit from this new venture.

The industry that we work in is changing on a continual basis and it is essential that we meet and exceed what these challenges bring. I thank my staff (Kim Walters, Debbie King, Linda Maddison and Regi Penn) sincerely for all their efforts and support to date and truly believe that they are excellent ambassadors for the Mount Beauty & District **Community Bank**<sup>®</sup> Branch and all our local communities. The most rewarding aspect for our staff is that our customers chose to bank us because they want to. They feel welcome, needed and very comfortable every time they come into our branch.

I would also like to thank all the support staff we have from Bendigo and Adelaide Bank Ltd, Chris Pursehouse (Regional Manager), Michael Monaghan (Senior Business Banking Manager), Brian O'Keefe (Regional Lending Manager), Peter Nolan (Agribusiness Manager), Peter Stock (Merchant Services) and Sheridan Gillham (Financial Planner). We also have great support from many support staff in many sections that assist us in our day to day running of our branch.

For our business results, at the end of June 2009 we have business totalling \$40.3 million dollars in 1,140 accounts. Between the branch and our ATM we are completing just over 2,000 transactions per month. Demand for lending has been strong and we are continuing to get enquires. Our interest rates have become more competitive in the past few months and more new clients our enquiring about these rates as well.

I believe that many in our local community are still not fully aware of what products and services we are able to offer, including Insurance (car, health, home and contents, travel and personal), Agribusiness (Elders – lending and deposits, Farm Management Accounts) and Financial Planning. We also have a full range of traditional banking products, lending and investments.

I would also like to take this opportunity to thank our Board, for their continued support for this enterprise for our community, if it was not for their passion and your support this branch would not be here today. So Andrew Randell, Barbara Pyle, Kirsten Seaver, Yvonne Evans, Bill Best, Ian Cohn, Graham Irish & David Harley thank you.

## Manager's report continued

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The full benefits of having the Mount Beauty & District **Community Bank**<sup>®</sup> Branch are yet to be realised. Communities around Australia have benefited from the support and grants that many local **Community Bank**<sup>®</sup> branches have made and we could do the same for our community. We have already put back more than \$16,000 back into our community and wish to put even more back.

Now as we are approaching our second full year of operation, we the staff and the Board need to continue our hard work to make sure our community will continue to be successful and look forward to assisting our community in the many projects that our community needs our support with.

I look forward to another year of growth as we strive to achieve the goals of profit, shareholder dividends and the ability to provide our communities of Mount Beauty, Tawonga, Tawonga South, Falls Creek, Bogong Village, Dederang, Kancoona and now Corryong with the support they need.

Regards,



**Mark Roffey**  
**Branch Manager**

# Directors' report

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For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

## Directors

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

### **Andrew John Randell**

Chairman  
Age: 57  
Registered Builder

### **Ian Alexander Cohn**

Treasurer  
Age: 66  
Aeronautical Engineer

### **Kirsten Dorothy Seaver**

Secretary  
Age: 48  
Interior & Graphic Designer

### **William Charles Best**

Director  
Age: 55  
Software Developer

### **Yvonne Denise Evans**

Director  
Age: 56  
Business Manager

### **David Vernon Elliott Harley**

Director  
Age: 70  
Farmer

### **Graham Raymond Irish**

Director  
Age: 63  
Company Director

### **Barbara Jean Pyle**

Director  
Age: 64  
Retired

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

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

## Company Secretary

The Company Secretary is Kirsten Dorothy Seaver. Kirsten has been in the role since incorporation on 6 July 2007. Her qualifications and experience include general administration, database management and completion of CSA Company Secretary's workshops.

## Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

# Directors' report continued

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## Operating results

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

Year ended 30 June 2009 \$	Year ended 30 June 2008 \$
(78,491)	(195,051)

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## Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current 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 or the financial report.

## Matters subsequent to the end of the financial year

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

## Likely developments

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

## Environmental regulation

The Company is not subject to any significant environmental regulation.

## Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. 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.

# Directors' report continued

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## **Indemnification and insurance of Directors and Officers**

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

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.

## **Remuneration report**

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

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

## **Directors' meetings**

The number of Directors' meetings attended by each of the Directors of the Company during the year were:

	<b>Number of Board meetings eligible to attend</b>	<b>Number attended</b>
Andrew John Randell	11	11
Ian Alexander Cohn	11	10
Kirsten Dorothy Seaver	11	11
William Charles Best	11	8
Yvonne Denise Evans	11	6
David Vernon Elliott Harley	11	9
Graham Raymond Irish	11	9
Barbara Jean Pyle	11	9

## **Non Audit services**

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

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



# Directors' report continued

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## **Non Audit services (continued)**

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

## **Auditors' independence declaration**

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Board of Directors at Mount Beauty on 7 September 2009.



**Andrew John Randell**  
**Chairman**



**Ian Alexander Cohn**  
**Treasurer**

# Auditor's independence declaration

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## **Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Mount Beauty & District Community Enterprises Limited**

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

**David Hutchings**  
Auditor

**Andrew Frewin & Stewart**  
Bendigo, Victoria

Dated this 7th day of September 2009

# Financial statements

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## Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues from ordinary activities	3	302,324	100,244
Salaries and employee benefits expense		(245,270)	(264,279)
Charitable donations, sponsorship, advertising & promotion		(18,153)	(7,843)
Occupancy and associated costs		(40,898)	(22,833)
Systems costs		(34,301)	(20,047)
Depreciation and amortisation expense	4	(14,471)	(17,581)
General administration expenses		(61,648)	(48,192)
<b>Loss before income tax credit</b>		<b>(112,417)</b>	<b>(280,531)</b>
Income tax credit	5	33,926	85,480
<b>Loss for the period</b>		<b>(78,491)</b>	<b>(195,051)</b>
<b>Loss attributable to members of the entity</b>		<b>(78,491)</b>	<b>(195,051)</b>
<b>Earnings per share (cents per share)</b>		<b>¢</b>	<b>¢</b>
- basic for profit for the year	19	(12.8)	(42.95)

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash assets	6	127,180	238,088
Trade and other receivables	7	28,833	8,090
<b>Total current assets</b>		<b>156,013</b>	<b>246,178</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	59,410	70,586
Intangible assets	9	6,833	8,833
Deferred tax assets	10	119,406	85,480
<b>Total non-current assets</b>		<b>185,649</b>	<b>164,899</b>
<b>Total assets</b>		<b>341,662</b>	<b>411,077</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	16,392	14,546
Provisions	12	11,800	6,144
<b>Total current liabilities</b>		<b>28,192</b>	<b>20,690</b>
<b>Non-current liabilities</b>			
Provisions	12	1,574	-
<b>Total non-current liabilities</b>		<b>1,574</b>	<b>-</b>
<b>Total liabilities</b>		<b>29,766</b>	<b>20,690</b>
<b>Net assets</b>		<b>311,896</b>	<b>390,387</b>
<b>Equity</b>			
Issued capital	13	585,438	585,438
Accumulated losses	14	(273,542)	(195,051)
<b>Total equity</b>		<b>311,896</b>	<b>390,387</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		286,472	76,235
Payments to suppliers and employees		(407,270)	(336,443)
Interest received		11,187	9,928
Interest paid		(2)	(70)
<b>Net cash used in operating activities</b>	<b>15</b>	<b>(109,613)</b>	<b>(250,350)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,295)	(87,000)
Payments for intangible assets		-	(10,000)
<b>Net cash used in investing activities</b>		<b>(1,295)</b>	<b>(97,000)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		-	613,278
Payment for share issue costs		-	(27,840)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>585,438</b>
<b>Net increase in cash held</b>		<b>(110,908)</b>	<b>238,088</b>
Cash at the beginning of the financial year		238,088	-
<b>Cash at the end of the financial year</b>	<b>6(a)</b>	<b>127,180</b>	<b>238,088</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity As at 30 June 2009

	Note	2009 \$	2008 \$
Total equity at the beginning of the period		390,387	-
Net loss for the period		(78,491)	(195,051)
Net income/expense recognised directly in equity		-	-
<b>Total income and expense recognised by the entity for the year</b>		<b>(78,491)</b>	<b>(195,051)</b>
Dividends provided for or paid		-	-
Shares issued during period		-	613,278
Costs of issuing shares		-	(27,840)
<b>Total equity at the end of the period</b>		<b>311,896</b>	<b>390,387</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2009

## Note 1. Summary of significant accounting policies

### **Basis of preparation**

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

### **Compliance with IFRS**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

### **Historical cost convention**

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

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

### **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 for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

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

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

# Notes to the financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **Income tax**

#### Current tax

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

#### Deferred tax

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

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

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

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

#### Current and deferred tax for the period

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



# Notes to the financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **Employee entitlements**

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

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

### **Intangibles**

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

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

### **Comparative figures**

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

### **Property, plant and equipment**

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

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

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

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

# Notes to the financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **Critical accounting estimates and judgements**

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

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

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Payment terms**

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

### **Trade receivables and payables**

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

### **Borrowings**

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

### **Financial instruments**

#### Recognition and initial measurement

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

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

#### Derecognition

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

# Notes to the financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **Financial instruments (continued)**

#### Classification and subsequent measurement

##### (i) Loans and receivables

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

##### (ii) Held-to-maturity investments

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

##### (iii) Financial liabilities

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

#### Impairment

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

### **Leases**

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

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

### **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.

# Notes to the financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **Contributed equity**

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

### **Earnings per share**

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

## Note 2. Financial risk management

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

Risk management is carried out directly by the Board of Directors.

### **(i) Market risk**

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

### **(ii) Price risk**

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

### **(iii) Credit risk**

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

### **(iv) Liquidity risk**

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

# Notes to the financial statements continued

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## Note 2. Financial risk management (continued)

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

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

### **(vi) Capital management**

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 3. Revenue from ordinary activities</b>		
<b>Operating activities:</b>		
- services commissions	289,734	85,381
- other revenue	-	500
<b>Total revenue from operating activities</b>	<b>289,734</b>	<b>85,881</b>
<b>Non-operating activities:</b>		
- interest received	12,590	14,363
<b>Total revenue from non-operating activities</b>	<b>12,590</b>	<b>14,363</b>
<b>Total revenues from ordinary activities</b>	<b>302,324</b>	<b>100,244</b>

## Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	5,379	12,228
- leasehold improvements	7,092	4,186

Amortisation of non-current assets:

- franchise agreement	2,000	1,167
	<b>14,471</b>	<b>17,581</b>

**Finance costs:**

- interest paid	<b>2</b>	<b>70</b>
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## Note 5. Income tax expense

**The components of tax expense comprise:**

- Current tax	(32,219)	(84,091)
- Deferred tax	(1,707)	(1,389)
- Recoup of prior year tax loss		-
	<b>(33,926)</b>	<b>(85,480)</b>

## Notes to the financial statements continued

	Note	2009 \$	2008 \$
Note 5. Income tax expense (continued)			
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(112,417)	(280,531)
Prima facie tax on loss from ordinary activities at 30%		(33,725)	(84,159)
Add tax effect of:			
- non-deductible expenses		600	350
- timing difference expenses		2,576	1,389
- blackhole expenses		(1,670)	(1,670)
Current tax		(32,219)	(84,091)
Movement in deferred tax	10.	(1,707)	(1,389)
		<b>(33,926)</b>	<b>(85,480)</b>

## Note 6. Cash assets

Cash at bank and on hand		13,821	5,998
Term deposits		113,359	232,090
		<b>127,180</b>	<b>238,088</b>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

### 6(a) Reconciliation of cash

Cash at bank and on hand		13,821	5,998
Term deposit		113,359	232,090
		<b>127,180</b>	<b>238,088</b>

## Note 7. Trade and other receivables

Trade receivables		21,587	254
Accrued income		3,918	4,435
Prepayments		3,328	3,401
		<b>28,833</b>	<b>8,090</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 8. Property, plant and equipment</b>		
<b>Plant and equipment</b>		
At cost	35,342	35,342
Less accumulated depreciation	(17,607)	(12,228)
	<b>17,735</b>	<b>23,114</b>
<b>Leasehold improvements</b>		
At cost	52,953	51,659
Less accumulated depreciation	(11,278)	(4,187)
	<b>41,675</b>	<b>47,472</b>
<b>Total written down amount</b>	<b>59,410</b>	<b>70,586</b>
<b>Movements in carrying amounts:</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning	23,114	-
Additions	-	35,342
Disposals	-	-
Less: depreciation expense	(5,379)	(12,228)
<b>Carrying amount at end</b>	<b>17,735</b>	<b>23,114</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	47,472	-
Additions	1,295	51,659
Disposals	-	-
Less: depreciation expense	(7,092)	(4,187)
<b>Carrying amount at end</b>	<b>41,675</b>	<b>47,472</b>
<b>Total written down amount</b>	<b>59,410</b>	<b>70,586</b>

## Note 9. Intangible assets

<b>Franchise fee</b>		
At cost	10,000	10,000
Less: accumulated amortisation	(3,167)	(1,167)
	<b>6,833</b>	<b>8,833</b>



## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 10. Deferred tax</b>		
<b>Deferred tax asset</b>		
• Opening balance	85,480	-
Future income tax benefits attributable to losses	32,219	84,091
Deferred tax on provisions	1,707	1,389
• <b>Closing balance</b>	<b>119,406</b>	<b>85,480</b>

### Note 11. Trade and other payables

Trade creditors	14,192	12,546
Other creditors & accruals	2,200	2,000
	<b>16,392</b>	<b>14,546</b>

### Note 12. Provisions

**Current:**

<b>Provision for annual leave</b>	<b>11,800</b>	<b>6,144</b>
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**Non-current:**

<b>Provision for long service leave</b>	<b>1,574</b>	-
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<b>Number of employees at year end</b>	<b>4</b>	<b>4</b>
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### Note 13. Contributed equity

613,278 Ordinary shares fully paid of \$1 each	613,278	613,278
Less: equity raising expenses	(27,840)	(27,840)
	<b>585,438</b>	<b>585,438</b>

# Notes to the financial statements continued

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## Note 13. Contributed equity (continued)

### **Rights attached to shares**

#### (a) Voting rights

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

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

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

#### (b) Dividends

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

#### (c) Transfer

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

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

### **Prohibited shareholding interest**

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

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

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 223. As at the date of this report, the Company had 247 shareholders.

## Notes to the financial statements continued

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### Note 13. Contributed equity (continued)

#### **Prohibited shareholding interest (continued)**

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

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

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

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

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Note 14. Accumulated losses</b>		
Balance at the beginning of the financial year	(195,051)	-
Net loss from ordinary activities after income tax	(78,491)	(195,051)
Dividends paid	-	-
<b>Balance at the end of the financial year</b>	<b>(273,542)</b>	<b>(195,051)</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 15. Statement of cash flows</b>		
Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities		
Loss from ordinary activities after income tax	(78,491)	(195,051)
Non cash items:		
- depreciation	12,471	16,414
- amortisation	2,000	1,167
Changes in assets and liabilities:		
- increase in receivables	(20,743)	(8,090)
- increase in other assets	(33,926)	(85,480)
- increase in payables	1,846	14,546
-increase in provisions	7,230	6,144
<b>Net cash flows used in operating activities</b>	<b>(109,613)</b>	<b>(250,350)</b>

## Note 16. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	3,200	3,000
- non audit services	1,872	14,876
	<b>5,072</b>	<b>17,876</b>

# Notes to the financial statements continued

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## Note 17. Director and related party disclosures

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

Andrew John Randell  
Ian Alexander Cohn  
Kirsten Dorothy Seaver  
William Charles Best  
Yvonne Denise Evans  
David Vernon Elliott Harley  
Graham Raymond Irish  
Barbara Jean Pyle

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

<b>Directors' shareholdings</b>	<b>2009</b>	<b>2008</b>
Andrew John Randell	6,001	6,001
Ian Alexander Cohn	5,001	5,001
Kirsten Dorothy Seaver	501	501
William Charles Best	1,001	1,001
Yvonne Denise Evans	501	501
David Vernon Elliott Harley	5,001	5,001
Graham Raymond Irish	50,001	50,001
Barbara Jean Pyle	21,001	21,001

There was no movement in Directors' shareholdings during the year. Each share held is valued at \$1.

## Note 18. Key management personnel disclosures

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

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

## Notes to the financial statements continued

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	2009 \$	2008 \$
<b>Note 19. Earnings per share</b>		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	(78,491)	(195,051)

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	2009 Number	2008 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	613,278	454,120

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### Note 20. Events occurring after the balance sheet date

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

### Note 21. Contingent liabilities

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

### Note 22. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being Mount Beauty and surrounding district of Victoria.

### Note 23. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
28 Hollonds Street, Mount Beauty VIC 3699	28 Hollonds Street, Mount Beauty VIC 3699

# Notes to the financial statements continued

## Note 24. Financial instruments

### Net fair values

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

### Credit risk

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

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

### Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash assets	13,810	5,977	-	-	-	-	-	-	-	21	0.01	0.05
Investment account	12	32,090	-	-	-	-	-	-	-	-	1.25	6.17
Term deposits (1)	30,000	40,000	-	-	-	-	-	-	-	-	8.6	7.75
Term deposits (2)	83,359	160,000	-	-	-	-	-	-	-	-	6.97	8
Receivables	-	-	-	-	-	-	-	-	28,833	8,090	N/A	N/A
<b>Financial liabilities</b>												
Payables	-	-	-	-	-	-	-	-	16,392	14,546	N/A	N/A

# Directors' declaration

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In accordance with a resolution of the Directors of Mount Beauty & District Community Enterprises Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



**Andrew John Randell**  
**Chairman**



**Ian Alexander Cohn**  
**Treasurer**

Signed on 7 September 2009.



# Independent audit report

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## INDEPENDENT AUDITOR'S REPORT

To the members of Mount Beauty & District Community Enterprises Limited

We have audited the accompanying financial statements of Mount Beauty & District Community Enterprises Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

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

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# Independent audit report continued

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## Independence

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

## Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Mount Beauty & District Community Enterprises Limited is in accordance with the Corporations Act 2001 including
  - (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;
- 2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's Opinion

In our opinion, the Remuneration Report of Mount Beauty & District Community Enterprises Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.



**DAVID HUTCHINGS**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

Dated this 7th day of September 2009







Mount Beauty & District **Community Bank**<sup>®</sup> Branch  
28 Hollonds Street, Mount Beauty VIC 3699  
Phone: (03) 5754 4484 Fax: (03) 5754 4121

Franchisee: Mount Beauty & District Community Enterprise Limited  
18 Hollonds Street, Mount Beauty VIC 3699  
ABN: 87 126 422 062

[www.bendigobank.com.au/mount\\_beauty](http://www.bendigobank.com.au/mount_beauty)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879. (BMPAR9057) (08/09)



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