Lara District **Community Bank®** Branch

annual report 2012

Lara District Community Enterprise Limited

ABN 67 134 347 087

Contents

Chairman's report

For year ending 30 June 2012

All banking enterprises are experiencing challenging times due to continuing periods of instability in the world finance industry, most are outside Australia's control but nevertheless influence the Australian market. It will be sometime before this returns to "normal".

I am able to report banking business for Lara District **Community Bank**® Branch has continued to increase during the reporting period, with growth of 20% in the 2011/12 financial year.

We can now confidently assure you that we have passed through the rough territory of negotiating the development and establishment of the company. Lara District Community Enterprise Limited continues to diligently monitor company income and expenditure, with the primary aims of growing our business, supporting the community, and returning a dividend to shareholders.

Our company's first dividend payment of 10 cents was paid 12 months ahead of the forecast stated in the Offer to Shareholder's Prospectus dated 27 February 2009.

Our Community Support Program (CSP) Committee continues to receive and process applications for grants, donations, and support from not–for–profit organisations, within the Lara and surrounding district area. In our three-year period of operation we have distributed over $120,000.

A number of share transactions have occurred. All share transactions are monitored by the Board to ensure compliance with the Lara District Community Enterprise Limited constitution.

The Board meets on a monthly basis (excluding December). All Board members also participate in one company committee; either the Community Support Program (CSP) Committee, the Governance Committee or the, Administration/Shares/Finance Committee. Each committee meets regularly and reports to the monthly Board meeting.

The Board wishes to acknowledge the work of our Branch Manager Damien Foster, who along with his dedicated staff, are responsible for our continued business growth.

We encourage you to take the opportunity to attend the Lara District Community Enterprise Limited Annual General Meeting which will be held at the Bisinella Centre on Thursday 15 November 2012. Registration will open at 7.00pm and the meeting will commence at 7.30pm sharp. A light supper will be provided.

The meeting will include a brief presentation on the business operation of Lara District Community Enterprise Limited. You will have the opportunity to both listen and ask questions so that you remain fully informed about the management and operation of your company.

Neville Trevena
Chairman

Manager's report

For year ending 30 June 2012

I am pleased to report that as of 30 June 2012 Lara District **Community Bank®** Branch holdings were more than $94 million with over 4,700 current accounts. Subsequently, for the third year, we have continued to exceed either forecasted scenario in the Offer to Shareholder's Prospectus dated 27 February 2009.

My thanks go to our customers. Without their banking business the branch would not have exceeded forecasted expectations in the first three years and also been able to contribute over $120,000 in funding to not for profit organisations in Lara, Little River and Anakie.

We have continued to offer our customers face to face banking services in the branch along with a coin counting machine. Our three well positioned ATM's in Lara continue to provide alternative and convenient round-the-clock banking opportunities.

I would like to personally and publicly thank the Lara District **Community Bank®** Branch staff – Rebecca, Michelle, Dianne, Cindy and Jade for their work over the past 12 months. I commend them on their work ethic, professionalism and commitment to the service of our customers.

On 30 June 2012, Rebecca who is expecting her first child, commenced maternity leave. I thank Rebecca for her work, support and commitment over the past three years. Rebecca was a founding staff member at our branch. On behalf of the staff and the Board we wish Rebecca and her husband Dean all the best as they look forward to the safe arrival of their bundle of joy.

To our shareholders, I thank you for your support. If you are not currently banking with the Lara District **Community Bank®** Branch, please consider visiting the branch and speaking to myself or our personable staff about all your financial service and/or banking needs.

Together we can do great things in our community.

Damien Foster
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

Directors

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

Thomas Neville Trevena
Chairman
Semi-Retired
Board member since 2009

Charles John Saliba
Director
Semi-Retired
Board member since 2009

Karen Elizabeth Chaston
Director
School Principal
Resigned 26 April 2012

Joy Leggo
Director
Chief Executive Officer
Resigned 28 June 2012

Christine Roma Schulz
Director
Student
Board member since 2009

Benjamin John Spalding
Director
Senior Durability Engineer
Board member since 2009

Penelope Anne Freame
Director
Kindergarten Teacher
Board member since 2009

Helen Craven
Director
HR Manager
Board member since September 2010

Kylie McEwan
Director
Occupation: Tax Consultant
Board member since November 2011

Gregory Kenneth Medwell
Director
Occupation IT Infrastructure Manager
Board member since April 2012

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 Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank.

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

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was $129,234 (2011: $10,720).

Financial position

The net assets of the company have increased from $675,195 at June 30, 2011 to $716,428 in 30 June 2012. The increase is largely due to improved operating performance of the company.

Dividends

The Directors recommend that an unfranked 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.

Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Remuneration report

Diesel Cooling Pty Ltd of which Thomas Neville Trevena is the owner of the premises in which the company operates. Rental payments of $51,900 were paid during the year ended 30 June 2012 (2011: $45,900).

Charles Saliba was paid $0 (2011: $1,000) for his role as Treasurer to assist in offsetting out of pocket expenses.

Other than stated above, no other 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.

Indemnifying Officers or Auditor

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.

Directors' report (continued)

Directors' meetings

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

Director	Board meetings#	Audit committee meetings#
Thomas Neville Trevena	11(11)	4(4)
Charles John Saliba	10(11)	4(4)
Karen Elizabeth Chaston (resigned 26 April 2012)	7(9)	N/A
Joy Leggo (resigned 28 June 2012)	11(11)	NA
Christine Roma Schulz	11(11)	N/A
Benjamin John Spalding	8(11)	N/A
Penelope Anne Freame	10(11)	N/A
Helen Craven	10(11)	N/A
Kylie McEwan	7(7)	N/A
Gregory Kenneth Medwell	3(3)	NA

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

Penelope (Penni) Freame was appointed Company Secretary on 24 November 2011. She has lived in Lara for fifteen years. She has been employed as a Kindergarten Teacher at a K-12 College in Geelong for the last fourteen years. Her formal qualification and experience include Bachelor of Applied Science (Home Ecomomics) Major in Quality Control Systems, Diploma of Early Childhood and more recently Bachelor of Education Honours (Early Childhood).

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 Neville Trevena and Charles Saliba;

(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.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Lara on 21 September 2012.

Thomas Neville Trevena
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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The Directors
Lara District Community Enterprise Ltd
PO Box 518
Lara Victoria 3212

To the Directors of Lara District Community Enterprise Ltd

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 21 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	873,758	684,891
Employee benefits expense	3	(327,952)	(348,100)
Depreciation and amortisation expense	3	(62,868)	(80,388)
Other expenses		(253,795)	(221,773)
Operating profit/(loss) before charitable donations & sponsorships		229,143	34,630
Charitable donations and sponsorship		(44,653)	(48,551)
Profit/(loss) before income tax benefit		**184,490**	**(13,921)**
Income tax expense/ (benefit)	4	55,256	(24,641)
Profit/(loss) after income tax benefit		**129,234**	**10,720**
Other comprehensive income		-	-
Total comprehensive income		**129,234**	**10,720**
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	21	14.69	1.22
- diluted for profit/(loss) for the year	21	14.69	1.22

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	556,836	332,223
Receivables	7	87,922	67,217
Total current assets		**644,758**	**399,440**
Non-current assets			
Property, plant and equipment	8	95,538	136,410
Deferred tax assets	4	81,086	136,342
Intangible assets	9	43,423	65,419
Total non-current assets		**220,047**	**338,171**
Total assets		**864,805**	**737,611**
Liabilities			
Current liabilities			
Payables	10	53,031	54,186
Provisions	11	95,346	8,230
Total current liabilities		**148,377**	**62,416**
Total liabilities		**148,377**	**62,416**
Net assets		**716,428**	**675,195**
Equity			
Issued capital	12	857,525	857,525
Accumulated losses	13	(141,097)	(182,330)
Total equity		**716,428**	**675,195**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		905,341	721,232
Cash payments in the course of operations		(694,128)	(662,180)
Interest received		13,400	14,391
Interest paid		-	-
Net cash flows from/(used in) operating activities	**14b**	**224,613**	**73,443**
Cash flows from investing activities			
Payment for property, plant and equipment		-	-
Net cash flows from/(used in) investing activities		**-**	**-**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Payment for share issues costs		-	-
Net cash flows from/(used in) financing activities		**-**	**-**
Net increase/(decrease) in cash held		**224,613**	**73,443**
Cash and cash equivalents at start of year		332,223	258,780
Cash and cash equivalents at end of year	**14a**	**556,836**	**332,223**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		857,525	857,525
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**857,525**	**857,525**
Accumulated losses			
Balance at start of year		(182,330)	(193,050)
Profit/(loss) after income tax benefit		129,234	10,720
Dividends payable	20	(88,001)	-
Balance at end of year		**(141,097)**	**(182,330)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Lara District Community Enterprise Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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

Class of asset	Depreciation rate
Plant & equipment	30%
Motor vehicles	30%

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.

(d) Impairment 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.

(e) 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

(m) Provisions

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

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

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue from continuing operations

	2012 $	2011 $
Revenue from continuing activities		
- services commissions	860,358	670,500
- other revenue	-	-
	860,358	**670,500**
Other revenue		
- interest received	13,400	14,391
- other revenue	-	-
	13,400	**14,391**
	873,758	**684,891**

	2012 $	2011 $

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	271,831	279,713
- superannuation costs	23,715	27,818
- workers compensation	1,250	734
- payroll tax	7,186	8,500
- other costs	23,970	31,335
	327,952	**348,100**
Depreciation of non-current assets:		
- plant and equipment	40,872	58,392
Amortisation of non-current assets:		
- intangible assets	21,996	21,996
	62,868	**80,388**
Bad debts	108	324

Note 4. Income tax expense

The prima facie tax on proft/(loss) before income tax is reconciled to the income tax expense as follows:

	2012 $	2011 $
Prima facie tax on profit/(loss) before income tax at 30%	55,347	(4,176)
Add/(less) tax effect of:		
- Non-deductible expenses	5,970	5,827
- Prior year over/(under) provision for tax	(6,061)	(26,292)
Current income tax benefit	**55,256**	**(24,641)**
Income tax benefit	**55,256**	**(24,641)**
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.	**81,086**	**136,342**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report of the company	2,900	3,900
- Taxation services	1,800	-
- Share registry	1,650	1,375
	6,350	**5,275**

	2012 $	2011 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	**556,836**	**332,223**

Note 7. Receivables

Trade debtors	**87,922**	**67,217**

Note 8. Property, plant and equipment

Plant and equipment		
At cost	242,220	242,220
Less accumulated depreciation	(158,527)	(122,731)
Total written down amount	**83,693**	**119,489**
Motor vehicles		
At cost	32,593	32,593
Less accumulated depreciation	(20,748)	(15,672)
Total written down amount	**11,845**	**16,921**
	95,538	**136,410**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	119,489	170,621
Additions	-	-
Disposals	-	-
Depreciation expense	(35,796)	(51,132)
Carrying amount at end of year	**83,693**	**119,489**
Motor vehicles		
Carrying amount at beginning of year	16,921	24,181
Additions	-	-
Disposals	-	-
Depreciation expense	(5,076)	(7,260)
Carrying amount at end of year	**11,845**	**16,921**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 9. Intangible assets

	2012 $	2011 $
Franchise and establishment fee		
At cost	110,000	110,000
Less accumulated amortisation	(66,577)	(44,581)
	43,423	**65,419**

Note 10. Payables

	2012 $	2011 $
Trade creditors	**53,031**	**54,186**

Note 11. Provisions

	2012 $	2011 $
Dividend payable	88,001	-
Employee benefits	7,345	8,230
	95,346	**8,230**
Movement in employee benefits		
Opening balance	8,230	6,305
Additional provisions recognised	91,672	7,544
Amounts utilised during the year	(4,556)	(5,619)
Closing balance	**95,346**	**8,230**

Note 12. Share capital

	2012 $	2011 $
880,011 Ordinary shares fully paid of $1 each	880,011	880,011
less Equity raising costs	(22,486)	(22,486)
	857,525	**857,525**

Note 13. Accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	(182,330)	(193,050)
Profit / (loss) after income tax	129,234	10,720
Divdends payable	(88,001)	-
Balance at the end of the financial year	**(141,097)**	**(182,330)**

	2012 $	2011 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	**556,836**	**332,223**
(b) Reconciliation of profit / (loss) after tax to net cas provided from/(used in) operating activities		
Profit / (loss) after income tax	129,234	10,720
Non cash items		
- Depreciation	40,872	58,392
- Amortisation	21,996	21,996
Changes in assets and liabilities		
- (Increase) decrease in deferred tax asset	55,256	(24,641)
- (Increase) decrease in receivables	(20,705)	(14,956)
- Increase (decrease) in provisions	(885)	1,925
- Increase (decrease) in payables	(1,155)	20,007
Net cash flows from/(used in) operating activities	**224,613**	**73,443**

Note 15. Director and related party disclosures

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

Thomas Neville Trevena
Charles John Saliba
Karen Elizabeth Chaston (resigned 26 April 2012)
Joy Leggo (resigned 28 June 2012)
Christine Roma Schulz
Benjamin John Spalding
Penelope Anne Freame
Helen Craven
Kylie McEwan
Gregory Kenneth Medwell

Diesel Cooling Pty Ltd of which Thomas Neville Trevena is a Director is the owner of the premises in which the company operates. Rental payments of $51,900 were paid during the year ended 30 June 2012 (2011: $45,900).

Charles Saliba was paid $0 (2011: $1,000) for his role as Treasurer to assist in offsetting out of pocket expenses.

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

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Thomas Neville Trevena	20,003	43,303
Charles John Saliba	5,001	5,001
Karen Elizabeth Chaston (resigned 26 April 2012)	1,001	1,001
Joy Leggo (resigned 28 June 2012)	751	501
Christine Roma Schulz	5,000	6,000
Benjamin John Spalding	1,001	1
Penelope Anne Freame	4,001	4,001
Helen Craven	1,000	1,000
Kylie McEwan	500	-
Gregory Kenneth Medwell	500	-

There were no other movement in Directors' shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 16. Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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 statements.

Note 17. Contingent liabilities and assets

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

Note 18. Operating segments

The company operates in the financial services sector where it provides banking services to its clients.The company operates in one geographic area being Lara, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 19. Corporate information

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

The registered office and principal place of business is: 1/5 Waverley Road,
Lara VIC 3212

	2012 $	2011 $

Note 20. Dividends paid or provided for on ordinary shares

(a) Dividends provided for during the year

Current year final		
Unfranked dividend - 10 cents per share (2011: nil)	**80,001**	**-**

Note 21. Earnings per share

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

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

Profit/(loss) after income tax benefit	**129,234**	**10,720**
Weighted average number of ordinary shares for basic and diluted earnings per share	**880,011**	**880,011**

Note 22. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	556,836	332,223
Receivables	7	87,922	67,217
Total financial assets		**644,758**	**399,440**
Financial liabilities			
Payables	10	53,031	54,186
Total financial liabilities		**53,031**	**54,186**

Note 22. Financial risk management (continued)

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

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

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

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

	Carrying amount	
	2012 $	2011 $
Cash and cash equivalents	556,836	332,223
Receivables	87,922	67,217
	644,758	**399,440**

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

None of the assets of the company are past due (2011: 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.

(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.

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(53,031)	(53,031)	–	–
Total expected outflows	**(53,031)**	**(53,031)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	556,836	556,836	–	–
Receivables	87,922	87,922	–	–
Total anticipated inflows	**644,758**	**644,758**	**–**	**–**
Net (outflow)/inflow on financial instruments	**591,727**	**591,727**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(54,186)	(54,186)	–	–
Total expected outflows	**(54,186)**	**(54,186)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	332,223	332,223	–	–
Receivables	67,217	67,217	–	–
Total anticipated inflows	**399,440**	**399,440**	**–**	**–**
Net (outflow)/inflow on financial instruments	**345,254**	**345,254**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

Note 22. Financial risk management (continued)

(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 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 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	438,000	250,000
Financial liabilities	-	-
	438,000	**250,000**
Floating rate instruments		
Financial assets	118,826	82,213
Financial liabilities	-	-
	118,826	**82,213**

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. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Note 22. Financial risk management (continued)

(d) Price risk (continued)

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 2012 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of Lara District Community Enterprise Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 9 to 27 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Thomas Neville Trevena
Chairman

Signed at Lara on 21 September 2012.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LARA DISTRICT COMMUNITY ENTERPRISE LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

Independent audit report (continued)

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Lara District Community Enterprise Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 21 September 2012

Lara District **Community Bank®** Branch
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Bendigo Bank

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