annual report 2010

Maroondah Community Enterprises Ltd

ABN 91 103 341 993

Ringwood East and Heathmont **Community Bank®** branches

Contents

Chairman’s report

For year ending 30 June 2010

Welcome to the eighth AGM of the Maroondah Community Financial Services Limited, better known as Ringwood East & Heathmont **Community Bank®** branches.

We celebrated our 7th birthday on the 20 June 2010. This year has been a more challenging year than the last 7 years. We saw the changing of Government security of term deposit withdrawn, we have seen 5 increases in home loan interest rates and the overseas financial network through Europe fall. Heathmont celebrated their first birthday on 13 February with a birthday cake.

The Company had tremendous growth in 2008/2009, however it was always going to be difficult to continue on that path. On paper we did have a large increase in business, however when one side of the books goes up so quickly in one year, the following year could see the reverse. This financial year we saw many clients find confidence again in the stock and property market, therefore withdrawing funds to invest in high areas that may provide higher yields.

Heathmont just reached their target of $15 million in business. Warren and the staff should be congratulated on their outstanding result based on the economic climate we have just experienced.

We have gone through a number of changes with the staff. Annette Parry, Manager of Ringwood East left on maternity leave, for those who didn’t see the signs in the branch, she had a baby girl and all went well. Congratulations to Annette and Ryan. Gary, who was working at Heathmont as the CRO, was promoted to Manager at Ringwood East whilst Annette is on maternity leave. We employed Kerryn Knipping as the new CRO at Heathmont. Sheree Foster, our CRO has received accolades from our clients, shareholders and Bendigo and Adelaide Bank Ltd for her continued customer service.

The Board has continued to work well together to ensure our goals and business plan are being achieved. This year has seen Alex Knipping, ex Board member, be employed as the Board support person. Alex has certainly made my role as Chairman easier, taken the work load of Neville as the Company Secretary, and also been a great support person for the sub committees.

Our Regional Manager, Alison Burr moved into another role this year, at which time Marissa Dickens become our new Regional Manager. At region level we have now developed a joint sponsorship committee with the other branches in the valley. Each Board has committed to spending $8,000, thereby providing $45,000 to support projects that fall into both municipalities. Programs such as Maroondah Life Education, CHAMPS, monkami, Kilsyth Basketball etc. These projects are jointly funded and supported by the Yarra Valley joint sponsorship committee.

Our Regional Managers believe that our Company is in very good hands and has congratulated us on a number or occasions for working, discussing and sometimes getting down to the hard questions. This year we have Arthur Corcoris, one of the initial steering committee members, stepping down. Arthur, who is well known to many people as the local supermarket man, has decided it’s time for a new face to join the Board. Arthur will remain an active member in the sponsorship, marketing and special projects committees.

Ray Tonisson, assisted by Annette, along with Sharon, Michele, Margaret, Tracey, Sheree and Carly, who moved to Heathmont upon opening, and Michelle, have again been outstanding in their professional approach to banking.

Chairman's report continued

The Bendigo Bank budget for growth was $15 million; the Board budget was $18 million, but the actual figure was $41.5 million. A sensational job done by all the staff. Our banking book as at 30 June 2009 was approx $160.3 million.

We are extremely excited to be declaring our fourth dividend to our shareholders, 4 cents per share fully franked is a fantastic reward for your continued support. I believe that with the plans we have in place, the commitment from the Board, our extremely dedicated staff and with the employment of a Board support person, this year will be a fantastic year.

Last year during the GFC we saw a massive squeeze on our trailer commission from the whole range of products and services. This year the squeeze has eased slightly, therefore our income per million dollars has increased. We have four ATMs running and most months break even.

Community engagement is one of the reasons the **Community Bank®** model is a success. Banking today is more about relationships, what benefits the community receives from their local branches, and the community loves to see dollars being returned to their local schools and sporting organisations. All this takes enormous amounts of after hours work and I would like to publicly thank Ray Tonisson, Annette Parry, Sheree Forster, Warren and Gary Johnston for attending these functions. We would also like to thank partners for allowing them to become so involved within our local community.

The future

So what does the future look like?

- The Board is looking forward to on-going growth at both branches. Ringwood East of at least $15 million and Heathmont growth of $15 million in the coming financial year.
- We are seeking further members of the community to become more involved with our sub committees. If you are interested in becoming involved, please don't hesitate to give me a call.
- We had the opportunity to address a full council meeting which I believe has never been done before. We gave a quick overview of the road travelled thus far and spoke about the sponsorships, grants and donations that our Company has paid the 70 plus groups of the City of Maroondah. We also spoke about the outcomes of the community forum held last year. We are looking at forming a working committee to develop these ideas further.
- The Board has seen the **Community Bank®** branch as a very important part of our community. In the last six years the branch has donated close to $600,000 to community groups in our district, which is well beyond our initial expectations. This generosity has brought so much appreciation from those organisations that have received these funds. As shareholders I hope you can experience some of the same joy and feedback from our community from the great work your **Community Bank®** branch is doing.

I would like to thank the staff, the shareholders, the community and Bendigoand Adelaide Bank Ltd for their continued support of the **Community Bank®** model and let's hope 2010/2011 is a very good year for all us.

Stuart Robert Greig
Chairman

Manager's report

For year ending 30 June 2010

It seems so surreal that we are at the end of another financial year.

It has been just over seven years ago since we first opened our doors at Ringwood East. Heathmont branch joined the family just over five and a half years later.

As at 30 June 2010 total business on the books was a very healthy $183.943 million.

Ringwood East **Community Bank®** Branch contributed $144,548 million and Heathmont **Community Bank®** Branch $39.395 million.

Heathmont **Community Bank®** Branch achieved its business volume growth, whereas Ringwood East fell marginally short. The Global Financial Crisis (GFC) is attributed to tougher business conditions than previously experienced. The pleasing factor is that our business grew by $23.630 million despite these difficult times. Sometimes during the next 12 months our business should achieve its next exciting milestone of $200 million in business levels held.

We celebrated the success with our community sponsored groups:

- South Croydon Football Club on winning the EFL Division 2 Grand Final in 2009
- East Ringwood Football club EFL under 18's on winning the EFL Division 1 Grand Final 2009
- East Ringwood Cricket Club 1st X1 on winning the RDCA Wilkins Cup in 2009/2010.

We now sponsor approximately 60 local sporting and community organisations between the two branches and have given out approximately $600,000 in sponsorships, grants and donations since beginning our journey.

Two of the more prominent community projects we got involved with are:

Community 30,000 Appeal

A young 10 year old local girl Alexia suffers from Autism and chronic Epilepsy. She suffers many seizures day and night with some causing her to stop breathing. Her parents worry continually and often have sleepless nights.

A family friend, Ann Purcell, approached me in January 2010 to seek assistance in raising $30,000 to obtain a companion dog. The companion dog would alert the parents when Alexia was about to have a seizure as well as providing Alexia with a calming influence and hopefully less seizures.

The community rallied behind this project with numerous sausage sizzles, concerts, bad hair days and the like to raise funds. Radio station Fox FM even contributed $15,000.

The good news is that Alexia was recently presented with her companion dog Odeene at a much reduced cost from Guide Dogs Victoria. With the surplus funds we hope to renovate the home and make it more "seizure" friendly.

Manager's report continued

Tony D'Alberto Driver/Road Safety Program

Tony D'Alberto is a young local resident who is also a V8 supercar driver and races for his father's team "Centaur Racing". Tony has finished 10th overall at the last two Bathurst Race meetings and is considered by many as an exciting up and comer in V8 Supercar racing. V8 Supercars is the third largest sport in Australia behind cricket and AFL.

We partnered Tony to speak to young people in our community about driver and road safety. The program commenced in May this year and we have visited many schools and even the Eastern Ranges TAC football club.

Given Tony is an elite athlete and genuinely nice fellow, the class participants quickly warm to him and hopefully his message will save someone's life.

The message is simple, "be careful and stay alive". The program is continuing for the foreseeable future.

We have also continued with our Quarterly bbq's and raised funds for Anglicare, Maroondah Citizens Advice Bureau, Eastern Access Community Health and East Ringwood Junior Football Club.

Our two marquee football clubs who we sponsor East Ringwood and South Croydon now play for the Frank Glenn/Phil Mason (**Community Bank®** Bendigo) shield. The shield is named after two great stalwarts of each club, Frank Glenn (deceased) and Phil Mason. It is good to see a local derby which, when they play each other, contributes greatly to the "economy" of each club.

Our staff family continues to grow with our Branch Manager at Ringwood East Annette giving birth to a beautiful baby girl Olivia Lea on 3 May. We also employed another staff member at Heathmont **Community Bank®** Branch, Kerryn Knipping. Our staff numbers have grown to 16.

Isn't it a wonderful feeling providing employment for local people, purchasing many of our stationery and service requirements locally and contributing much needed funds to local community groups?

I enjoy getting out and being a part of our local community. The more our local community is engaged, the more business will flow. There is a direct correlation between community involvement and business growth.

A big thank you to our Branch Managers: Warren at Heathmont, Annette (who is on maternity leave) and Gary at Ringwood East, and their staff for making our business such a success.

Ray Tonisson
Senior Manager

Directors' report

For the financial year ended 30 June 2010

Your directors submit the financial statements of the company for the financial year ended 30 June 2010.

Directors

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

Stuart Robert Greig
Chairman
Age: 41
Occupation: Licensed Real Estate Agent

Neville Keith Walker
Treasurer and Secretary
Age: 61
Occupation: Chartered Accountant

Arthur Michael Corcoris
Director
Age: 55
Occupation: Supermarket Proprietor

William Pirie Sutherland
Director
Age: 63
Occupation: Retired Newsagent

Maxwell Ernest Vincent
Director
Age: 80
Occupation: Retired Businessman

Geoffrey Edwin Secker OAM
Director
Age: 54
Occupation: Self Employed Cabinet Maker

Anthony Morris Hart
Director
Age: 62
Occupation: Businessman

Christopher Henry Monaghan
Director
Age: 53
Occupation: Consultant

Paul Eugene Conway
Director (Appointed 24 November 2009)
Age: 59
Occupation: Consultant

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 Neville Keith Walker. He was appointed to the position of Secretary on 10 January 2003. Mr Walker is a Chartered Accountant, Registered Tax Agent and Registered Company Auditor. He has been a partner and director of an accountancy practice since 1981 and for 15 years prior to that was employed by various accounting practices both in Australia and overseas.

Directors' report continued

Principal Activities

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

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

Operating Results

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

	Year ended 30 June 2010 $	Year ended 30 June 2009 $
	122,670	54,908

Dividends	Year Ended 30 June 2010 Cents	$
Final dividends recommended:	4.00	72,325
Dividends paid in the year:		
- As recommended in the prior year report	3.00	54,244

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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

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.

Directors Meetings

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

	Board Meetings Attended		**Committee Meetings Attended**					
			Audit		**Marketing**		**Human Resources**	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Stuart Robert Greig	11	9	2	2			1	1
Neville Keith Walker	11	8	2	2				
Arthur Michael Corcoris	11	4			7	2		
William Pirie Sutherland	11	10						
Maxwell Ernest Vincent	11	11						
Geoffrey Edwin Secker OAM	11	9			7	5		
Anthony Morris Hart	11	11					1	1
Christopher Henry Monaghan	11	11			7	7		
Paul Eugene Conway (Appointed 24/11/09)	7	7						

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.

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 APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Ringwood East, Victoria on 27 September 2010.

Stuart Robert Greig,
Chairman

Neville Keith Walker,
Director

Auditor's independence declaration

AFS
partners in success
Chartered Accountants & Business Advisors

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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Maroondah 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 2010 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
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 21st day of September 2010

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	4	1,545,837	1,173,495
Employee benefits expense		(802,340)	(629,664)
Charitable donations, sponsorship, advertising and promotion		(72,045)	(108,474)
Occupancy and associated costs		(104,152)	(96,637)
Systems costs		(47,353)	(31,676)
Depreciation and amortisation expense	5	(69,990)	(51,360)
Finance costs	5	(5,751)	(6,681)
General administration expenses		(261,248)	(166,142)
Profit before income tax (expense)/credit		**182,958**	**82,861**
Income tax (expense)/credit	6	(60,288)	(27,953)
Profit after income tax (expense)/credit		**122,670**	**54,908**
Total comprehensive income for the year		**122,670**	**54,908**

Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	22	6.50	4.00
- dividends paid per share	20	4	3

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	814,110	694,303
Trade and other receivables	8	186,908	139,759
Current tax asset	11	-	1,687
Total Current Assets		**1,001,018**	**835,749**
Non-Current Assets			
Property, plant and equipment	9	422,734	452,641
Intangible assets	10	96,197	125,979
Deferred tax assets	11	30,829	25,502
Total Non-Current Assets		**549,760**	**604,122**
Total Assets		**1,550,778**	**1,439,871**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	65,522	60,967
Current tax liabilities	11	31,864	-
Borrowings	13	17,526	17,526
Provisions	14	143,528	121,026
Total Current Liabilities		**258,440**	**199,519**
Non-Current Liabilities			
Borrowings	13	45,724	57,500
Provisions	14	31,641	18,224
Total Non-Current Liabilities		**77,365**	**75,724**
Total Liabilities		**335,805**	**275,243**
Net Assets		**1,214,973**	**1,164,628**
Equity			
Issued capital	15	1,073,286	1,073,286
Retained earnings	16	141,687	91,342
Total Equity		**1,214,973**	**1,164,628**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	**617,180**	**90,678**	**707,858**
Total comprehensive income for the year	**-**	**54,908**	**54,908**
Transactions with owners in their capacity as owners:			
Shares issued during period	488,100	-	488,100
Costs of issuing shares	(31,994)	-	(31,994)
Dividends provided for or paid	-	(54,244)	(54,244)
Balance at 30 June 2009	**1,073,286**	**91,342**	**1,164,628**
Balance at 1 July 2009	**1,073,286**	**91,342**	**1,164,628**
Total comprehensive income for the year	**-**	**122,670**	**122,670**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(72,325)	(72,325)
Balance at 30 June 2010	**1,073,286**	**141,687**	**1,214,973**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the year ended 30 June 2010

	Note	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		1,633,126	1,238,098
Payments to suppliers and employees		(1,413,146)	(1,112,766)
Interest received		13,880	40,291
Interest paid		(5,751)	(6,681)
Income taxes paid		(32,063)	(70,749)
Net cash provided by operating activities	**17**	**196,046**	**88,193**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(10,300)	(266,113)
Payments for intangible assets		-	(80,000)
Net cash used in investing activities		**(10,300)**	**(346,113)**
Cash Flows From Financing Activities			
Proceeds from issues of shares		-	488,100
Payment for share issue costs		-	(36,434)
Repayment of borrowings		(11,776)	(10,846)
Dividends paid		(54,163)	(56,101)
Net cash provided by/(used in) financing activities		**(65,939)**	**384,719**
Net increase in cash held		**119,807**	**126,799**
Cash and cash equivalents at the beginning of the financial year		694,303	567,504
Cash and cash equivalents at the end of the financial year	**7(a)**	**814,110**	**694,303**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards, Urgent Issues Group Interpretations and the Corporations Act 2001.

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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

<u>Financial statement presentation</u>

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

<u>Historical cost convention</u>

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

<u>Comparative figures</u>

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch's at Ringwood East and Heathmont.

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

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

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

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

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

b) Revenue

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles (continued)

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

<u>Impairment</u>

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

l) 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 of 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.

m) 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.

n) 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.

o) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2010 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

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

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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

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

	2010 $	**2009 $**

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	1,506,166	1,134,221
- other revenue	9,652	8,913
Total revenue from operating activities	**1,515,818**	**1,143,134**
Non-operating activities:		
- interest received	30,019	30,361
- rental revenue		
Total revenue from non-operating activities	**30,019**	**30,361**
Total revenues from ordinary activities	**1,545,837**	**1,173,495**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	23,111	18,444
- leasehold improvements	17,097	11,134

	2010 $	2009 $
Note 5. Expenses (continued)		
Amortisation of non-current assets:		
- franchise agreement	4,297	3,297
- franchise renewal fee	25,485	18,485
	69,990	**51,360**
Finance costs:		
- interest paid	**5,751**	**6,681**
Bad debts	6,284	5,405

Note 6. Income Tax Expense/Credit

	2010 $	2009 $
The components of tax expense comprise:		
- Current tax	65,615	40,621
- Movement in deferred tax	(5,327)	(12,668)
	60,288	**27,953**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	182,958	82,861
Prima facie tax on profit from ordinary activities at 30%	54,888	24,858
Add tax effect of:		
- non-deductible expenses	9,892	7,585
- timing difference expenses	5,325	12,668
- blackhole expenses	(4,490)	(4,490)
Current tax	**65,615**	**40,621**
Movement in deferred tax	(5,327)	(12,668)
	60,288	**27,953**
Tax assets		
Current tax refundable	**-**	**1,687**
Tax Liabilities		
Current tax payable	**31,864**	**-**

	2010 $	2009 $

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	135,307	226,707
Term deposits	678,803	467,596
	814,110	**694,303**

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

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	135,307	226,707
Term deposits	678,803	467,596
	814,110	**694,303**

Note 8. Trade and Other Receivables

Trade receivables	136,152	102,241
Other receivables & accruals	50,756	37,518
	186,908	**139,759**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	181,157	181,157
Less accumulated depreciation	(82,613)	(59,502)
	98,544	**121,655**
Leasehold improvements		
At cost	395,737	385,437
Less accumulated depreciation	(71,547)	(54,451)
	324,190	**330,986**
Total written down amount	**422,734**	**452,641**

	2010 $	2009 $

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts:

	2010 $	2009 $
Plant and equipment		
Carrying amount at beginning	121,655	95,172
Additions	-	44,927
Disposals	-	-
Less: depreciation expense	(23,111)	(18,444)
Carrying amount at end	**98,544**	**121,655**
Leasehold improvements		
Carrying amount at beginning	330,986	120,934
Additions	10,300	221,186
Disposals	-	-
Less: depreciation expense	(17,096)	(11,134)
Carrying amount at end	**324,190**	**330,986**
Total written down amount	**422,734**	**452,641**

Note 10. Intangible Assets

	2010 $	2009 $
Franchise fee		
At cost	21,484	21,484
Less: accumulated amortisation	(7,785)	(3,488)
	13,699	**17,996**
Renewal processing fee		
At cost	127,425	127,425
Less: accumulated amortisation	(44,927)	(19,442)
	82,498	**107,983**
Total written down amount	**96,197**	**125,979**

Notes to the financial statements continued

	2010 $	2009 $

Note 11. Tax

Current:		
Income tax payable/(Refundable)	**31,864**	**(1,687)**
Non-Current:		
Deferred tax assets		
- employee provisions	30,829	25,502
Net deferred tax asset	**30,829**	**25,502**
Movement in deferred tax charged to statement of comprehensive income	**5,327**	**12,688**

Note 12. Trade and Other Payables

Trade creditors	27,316	23,144
Other creditors & accruals	38,206	37,823
	65,522	**60,967**

Note 13. Borrowings

Current:		
Chattel mortgage	17,526	17,526
	17,526	**17,526**
Non-Current:		
Chattel mortgage	45,724	57,500
	45,724	**57,500**

In May 2007 Bendigo and Adelaide Bank Ltd advanced funds by way of a Chattel Mortgage for the purchase of a Toyota bus. The mortgage is secured over the bus. The interest rate is fixed and the loan is for a period of 5 years.

Note 14. Provisions

Current:		
Provision for annual leave	71,123	66,782
Provision for dividend	72,405	54,244
	143,528	**121,026**

	2010 $	2009 $

Note 14. Provisions (continued)

Non-Current:

Provision for long service leave	**31,641**	**18,224**
Number of employees at year end	13	10

Note 15. Contributed Equity

1,808,118 Ordinary shares fully paid (2009: 1,808,118)	1,148,109	1,148,109
Less: equity raising expenses	(74,823)	(74,823)
	1,073,286	**1,073,286**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Note 15. Contributed Equity (continued)

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 386. As at the date of this report, the company had 428 shareholders.

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

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

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

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

	2010 $	2009 $
Note 16. Retained Earnings		
Balance at the beginning of the financial year	91,342	90,678
Net profit from ordinary activities after income tax	122,670	54,908
Dividends paid or provided for	(72,325)	(54,244)
Balance at the end of the financial year	**141,687**	**91,342**

	2010 $	2009 $

Note 17. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by/(used in) operating activities

	2010 $	2009 $
Profit from ordinary activities after income tax	122,670	54,908
Non cash items:		
- depreciation	40,208	29,578
- amortisation	29,782	21,782
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(47,149)	(29,844)
- (increase)/decrease in other assets	(5,327)	(12,668)
- increase/(decrease) in payables	4,554	12,339
-increase/(decrease) in provisions	17,757	42,226
-increase/(decrease) in current tax liabilities	33,551	(30,128)
Net cashflows provided by/(used in) operating activities	**196,046**	**88,193**

Note 18. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

	2010 $	2009 $
- audit & review services	3,788	4,500
- non audit services	-	4,180
	3,788	**8,680**

Note 19. Director and Related Party Disclosures

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

Stuart Robert Greig

Neville Keith Walker

Arthur Michael Corcoris

William Pirie Sutherland

Maxwell Ernest Vincent

Geoffrey Edwin Secker OAM

Anthony Morris Hart

Christopher Henry Monaghan

Paul Eugene Conway (Appointed 24 November 2009)

Notes to the financial statements continued

Note 19. Director and Related Party Disclosures (continued)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2010 $	2009 $
Transactions with related parties:		
Other related parties:		
Pauls IGA a company associated with Arthur Michael Corcoris supplied goods or services to the value of	**3,551**	**2,670**
Focus Financial Group a firm associated with Neville Keith Walker supplied goods or services to the value of	**11,400**	**10,500**
AGS Systems a company associated with Geoffrey Edwin Secker supplied goods or services to the value of	**570**	**605**

Directors shareholdings	**2010**	**2009**
Stuart Robert Greig	4,002	4,002
Neville Keith Walker	20,002	20,002
Arthur Michael Corcoris	80,002	80,002
William Pirie Sutherland	25,502	25,502
Maxwell Ernest Vincent	120,000	120,000
Geoffrey Edwin Secker OAM	-	-
Anthony Morris Hart	1,000	1,000
Christopher Henry Monaghan	500	500
Paul Eugene Conway (Appointed 24 November 2009)	-	-

There was no movement in directors shareholdings during the year.

Notes to the financial statements continued

	2010 $	2009 $
Note 20. Dividends Paid or Provided		
a. Dividends paid during the year		
Prior year proposed final		
100% (2009: 100%) franked dividend - 3 cents (2009:8.5 cents) per share	**54,244**	**56,101**
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2009: 100%) franked dividend - 4 cents (2009: 3 cents) per share	**72,325**	**54,244**
The tax rate at which dividends have been franked is 30% (2009: 30%).		
Dividends proposed will be franked at a rate of 30% (2009: 30%).		
d. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	113,875	112,808
- franking credits that will arise from payment of income tax payable as at the end of the financial year	31,865	(1,687)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(30,996)	(23,247)
Franking credits available for future financial reporting periods:	114,744	87,874
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**114,744**	**87,874**

Note 21. 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.

	2010 $	2009 $
Note 22. Earnings Per Share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	122,670	54,908

	2010 Number	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,808,118	1,248,389

Note 23. 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 24. Contingent Liabilities

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

Note 25. Segment Reporting

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

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
Level 1, 2 Railway Avenue	62 Railway Avenue
Ringwood Eeast Vic 3135	Ringwood east Vic 3135

Note 27. Financial Instruments

Net Fair Values

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

Note 27. Financial Instruments (continued)

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Fixed interest rate maturing in: Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	814,110	694,303	-	-	-	-	-	-	-	-	3.98	4.81
Receivables	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	63,251	75,026	-	-	-	-	8.29	8.29
Payables	-	-	-	-	-	-	-	-	-	-	N/A	N/A

Directors' declaration

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of 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.

Stuart Robert Greig,
Chairman

Neville Keith Walker,
Director

Signed on the 21st of September 2010.

Independent audit report

AFS
partners in success
Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the members of Maroondah Community Enterprises Limited

We have audited the accompanying financial report of Maroondah Community Enterprises Limited, which comprises the balance sheet as at 30 June 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Independence

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

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Maroondah Community Enterprises Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. 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 Maroondah Community Enterprises Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

David Hutchings
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 21st day of September 2010

Ringwood East **Community Bank®** Branch
62 Railway Avenue, Ringwood East VIC 3135
Phone: (03) 9870 3655
www.bendigobank.com.au/ringwood_east

Heathmont **Community Bank®** Branch
143 Canterbury Road, Heathmont VIC 3135
Phone: (03) 9870 6654
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Franchisee: Maroondah Community Enterprises Ltd
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Bendigo and Adelaide Bank Limited,
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