Maroondah Community Enterprises Limited

ABN 91 103 341 993

annual report 2011

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

Contents

Chairman's report

For year ending 30 June 2011

Welcome to the ninth Annual General Meeting of Maroondah Community Enterprises Limited, better known as Ringwood East and Heathmont **Community Bank®** branches of Bendigo Bank.

We celebrated Ringwood East's 8th birthday on 20 June 2011 and Heathmont's 2nd birthday on 20 February this year.

The Company had a tremendous year with both branches reaching their targets. The Company's banking balance grew by just over $30 million which was above Bendigo Bank targets, but was the target that the Board had put in place. As we mature the Managers need to work hard to replace payouts of home and other loans, and at the same time expand the business.

Heathmont experienced a number of changes during the financial year with the Managers moving between our branches and then expanding the team with additional staff. Gary Johnson returned to Heathmont and was promoted to Branch Manager in February. Gary has done a fantastic job working with the staff and improving his personal development skills.

We welcome some new staff and congratulate those that have been promoted as we have gone through a number of changes across both branches. Annette Parry, returning from maternity leave, is now working three days a week as Customer Relationship Manager at Heathmont, Carly Minchington was promoted to full time Senior Client Service Officer at Heathmont, Angela Mitchell increased her hours and we have employed Karen White at Heathmont following the retirement of Wendy Haughton.

Ringwood East has continued to grow. Sheridan Biggs started as our new Client Service Officer and has brought another friendly smile to the team. We also employed Tony Taccone as Customer Relationship Manager.

We have expanded the business structure with Mark Davenport coming on as our mobile Business Manager to join our Management Leadership Team.

The Board has continued to work well together to ensure our goals and business plans are being achieved. We held a Board retreat in February to look at our journey thus far and to develop a business plan moving forward over the coming one to five years. I sold my business on 1 March, this allowed more time to work with Alex Knipping, the Board's Executive Support Officer, the Managers and the Board implementing and expanding on the ideas that were developed from the planning day.

Our Bendigo and Adelaide Bank Ltd Regional Manager, Sophia Cole has been fantastic. Sophia is on loan while Marissa Dickens is on maternity leave. Sophia has worked very closely with the Managers, staff and Board this year. We tendered for the City of Maroondah banking business in June but unfortunately missed out. Sophia and Natalie, also from Bendigo and Adelaide Bank Ltd, together with Jan McGannon spent many hours on this tender and once again I would like to thank them for their efforts.

At region level we have now established a joint sponsorship committee with the other branches in the Yarra Valley. Each Board has committed to spending $7,000 for a total of $45,000 which is to support projects that fall into both municipalities. Programs such as Maroondah Life Education, CHAMPS, Monkami, Kilsyth Basketball Kids First Program for schools, Eastern Ranges Football, Maroondah Hospital Auxiliary and others are jointly funded and supported by the Yarra Valley joint sponsorship committee.

The Board has continued to function well together, our regional Managers believe that our Company is in very good hands and has congratulated us on a number of occasions for working on, discussing and sometimes getting down to, then dealing with difficult issues.

A sensational job done by all the staff:

Ringwood East **Community Bank®** Branch: Ray Tonisson, Sheree Foster, Tony Taccone, Sharon O'Neill, Margaret Nahon, Tracey Harward, Michelle McLennan, Maria Pennell and Sheridan Biggs

Heathmont **Community Bank®** Branch: Gary Johnston, Annette Parry, Kerryn Knipping, Carly Minchington, Angela Mitchell and Karen White.

Their combined efforts has seen the business grow to over $210 million and has allowed us to reach a fantastic milestone of providing benefits of more than $1 million to and behalf of the Community of Maroondah.

Bendigo and Adelaide Bank Ltd's **Community Bank®** network is to be congratulated, as this year they reached a massive milestone. The total donated by **Community Bank®** branches throughout Australia has reached $50 million. Our Community Bus was selected out of 2,500 national projects by Bendigo and Adelaide Bank Ltd for Deloitte to measure the real impact providing the bus has had on our community. Our bus was recognised as providing opportunities for community groups that normally couldn't afford normal commercial rates to go to places, such as transporting Ringwood Spiders (A football club for people with a mild to medium intellectual disability within the City of Maroondah and surrounding areas of outer eastern Melbourne). I would like to thank the community groups that participated in the Deloitte interview process.

We are extremely excited to be declaring our fifth consecutive dividend to our shareholders, 5.0 cents per share fully franked payable in November 2011, which we consider a fantastic reward for your continued support. I believe that with the plans in place, the commitment from the Board, extremely dedicated staff and with the employment of a Board support person, the next year will be fantastic.

Community engagement is one of the reasons the **Community Bank®** concept is a success. Banking today is more about relationships, what benefits the community receive from their **Community Bank®** branches, and the community loves to see dollars being returned to their local schools, sports clubs and other community groups. All this takes an enormous amount of after hours work and I would like to thank Ray Tonisson, Gary Johnston and Sheree Forster, for attending these after hours functions. We would also like to thank their 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 continued growth, at both branches and with our newly appointed Mobile Relationship Manager, of a combined $45 million in the coming financial year.
- We have started the process with a steering committee looking at expanding the business into Croydon.
- We continue to seek members of the community to become involved with our committees, so if you are interested please don't hesitate to give me a call.
- The Board continues to review present and future premises needs for both branches and the Company.

Chairman’s report continued

The Board has seen the bank as a very important part of our community. In the last 8 years the bank has provided over $1 million to and behalf of the community of Maroondah which, to our delight and surprise, is well beyond our initial expectations. This generosity has brought so much appreciation from the community groups that have received these much needed funds. As shareholders I hope you can experience some of the same joy and appreciation from our community of the great work your **Community Bank®** branches are doing on your behalf.

I would like to thank the staff, the shareholders, the community and Bendigo and Adelaide Bank Ltd for their continued support of the **Community Bank®** model and let’s hope 2011/12 is a very good year for all us.

Stuart Greig - Chairman

Ringwood East Manager’s report

For year ending 30 June 2011

It has been a very bumpy ride in the 2010/11 financial year.

We have seen staff changes at both branches and I assumed the care taker role at our sister branch in Heathmont in October last year until February this year. During this time it was a pleasure to meet and get to know many of our Heathmont clientele.

It was also good to get my hands dirty again as being a smaller branch with less staff I had to roll my sleeves up and perform tasks that I don’t need to at Ringwood East **Community Bank®** Branch.

Congratulations to Gary Johnson who was made permanent Manager of Heathmont **Community Bank®** Branch after serving his apprenticeship as “acting Manager Ringwood East **Community Bank®** Branch”. I am confident that Gary is the right person to lead Heathmont into the future.

Our previous Manager at Ringwood East **Community Bank®** Branch Annette Parry has returned from maternity leave on a part time basis as Customer Relationship Manager at Heathmont **Community Bank®** Branch.

The two branches work as a team and we swap staff between our branches to cover leave and training requirements. You will always find a friendly face to deal with at both sites.

We also welcome three new staff members Sheridan Biggs , Tony Taccone and Mark Davenport to Ringwood East **Community Bank®** Branch. Sheridan has been employed as a Customer Service Officer and is well know in the local area. Tony is ex branch Manager at CBA of 25 years and comes to us as Customer Relationship Manager. Mark was a Business Banker at Westpac for many years having previously run his own business. Mark has fulfilled our need for a Mobile Relationship Manager and will work between the two branches. We are fortunate to add three more high calibre staff members to our team.

Ringwood East’s growth target of $12 million was exceeded by $2.54 million with $14.543 million added to our banking business which as at 30 June 2011 stood at $159.091 million.

Our banking business continues to grow due to the excellent commitment of our staff plus our existing customers and community groups being our greatest advocates in referring new business.

Our bank has ridden the bumps that GFC has thrown us and is in excellent shape moving forward. Our shareholders should be proud to have financially assisted the set up of a now vibrant strong organisation with two branches which has returned more than $905,000 to our local community.

During the year I attended many out of hour’s functions including weekends. The role of **Community Bank®** Branch Manager is not a 9 to 5 position.

Each quarter together with one of my staff Sheree Foster we cook the bbq at the local Traders market raising funds for charity.

This year Sheree and I also cooked the bbq for South Croydon Football Club during two Saturday home games. We wanted to help not only with our sponsorship dollars but also giving up our time to help the club raise much needed revenue.

We have also booked to volunteer later in the year at East Ringwood Football Club’s canteen.

Ringwood East Manager's report continued

Our 21 seater community bus and now BBQ trailer are great assets for the community to hire at much discounted rates. The BBQ trailer measures 7ft x 5ft has a 1 meter fold out cooking plate with 2 x 9kg gas bottles and storage for drinks and luggage.

It is a fine piece of machinery and hire of our trailer will not disappoint.

To my staff who have worked tirelessly at both branches thankyou for supporting me and our business.

Ray Tonisson
Manager

Heathmont Manager's report

For year ending 30 June 2011

In March of 2010 I returned to Heathmont **Community Bank®** Branch in the role of Branch Manager after spending the previous 12 months at our Ringwood East **Community Bank®** Branch. I would like to thank Ray Tonisson and all of the staff and customers for their support during my time at the Ringwood East **Community Bank®** Branch. I would also like to thank the staff and customers of the Heathmont **Community Bank®** Branch for their warm welcome back to me. After being part of the team that opened the Heathmont **Community Bank®** Branch in February 2009 it has been good to reacquaint with many of the customers I had meet in the opening 12 months ago at Heathmont.

The team we have in place at Heathmont now includes me as Branch Manager, Annette Parry as Customer Relationship Manager, Kerryn Knipping as Customer Relationship Officer, Carly Minchington as Senior Customer Service Officer, Angela Mitchell and Karen White both as Customer Service Officers. We also have Mark Davenport working out of both branches in his newly appointed role as Mobile Relationship Manager. I also acknowledge the contributions of Warren Ladson, Connie Woods, Wendy Haughton and Sharon Tolsher who have all moved on from our Heathmont **Community Bank®** Branch in the last 12 months.

Our team is committed to service the banking and community needs of the Heathmont people so I encourage our local community to continue to utilise our services available in the branch. We plan to take every opportunity to increase our customer base up to and beyond 1,500 in the next 12 months. We have a range of quality investment and lending products and have seen some strong growth in new accounts under the branch's home loan portfolio recently. Our focus in the branch is to find solutions for our customers and to assist them in achieving their financial goals. We do this by connecting with them as often as we can and by matching specific accounts to their specific needs and I thank the staff for their commitment in this area.

The business growth achieved by the branch for the end of financial year 2010 was $14.091 million which was a fantastic result. We plan to increase that figure over the next 12 months and exceed our growth target of $15 million.

I would like to thank our Chairman, Stuart Greig and all of the Directors and members of our committees for their support of the branch and also to our shareholders, customers and community groups for their partnerships. The Heathmont community is a vibrant one with many different clubs, groups, schools and kindergartens which we hope to continue to work with as we know that these organisations are the lifeblood of the community. I encourage members of all the different sports clubs and school communities to choose Heathmont **Community Bank®** Branch when it comes to their banking needs. I believe Heathmont is a unique area that includes an excellent shopping strip, a wonderful sports precinct around H.E. Parker Reserve with many schools and services available.

My staff and I look forward to building many relationships with the local people involved in the Heathmont community.

Gary Johnson
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

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

Stuart Robert Greig
Chairman
Age: 42
Occupation: Property Developer
Stuart has been the Chairman of MCEL since its foundation. Stuart has recently sold his real estate business and has returned to be involved with the Ringwood East Traders Assoc.
Committees: Audit, Marketing & Communications, Human Resources.
Interest in shares: 4,002

Neville Keith Walker
Treasurer and Secretary
Age: 62
Occupation: Chartered Accountant
Neville is a Chartered Accountant, Tax Agent, registered Company Auditor. He has previously been a Board member of the Cricket Club, School Council and Community Health Service.
Committees: Audit.
Interest in shares: 20,002

Paul Eugene Conway
Director
Age: 59
Occupation: Consultant
Paul is an Accountant and is a fellow CPA (FCPA) with over 35 years commercial business and financial management experience with a number of listed entities in Australia and overseas. Paul is concerned for the general well being of the community and is involved in local sporting and business groups within the community.
Committees: Audit, Marketing & Communications.
Interest in shares: Nil

William Pirie Sutherland
Director
Age: 63
Occupation: Financial Controller
William is currently a Financial Controller, he has been involved in banking for 29 years and was a retail owner for 13.5 years. He has been involved in the local Lions Club for 16 years and the Rotary Club for 15 years.
Committees: Major Projects.
Interest in shares: 25,502

Maxwell Ernest Vincent
Director
Age: 81
Occupation: Retired Businessman
Max ran a successful cabinet making business in Ringwood for over 30 years. A Life Member of East Ringwood Football Club, a keen supporter and a local sporting identity.
Committees: Nil.
Interest in shares: 120,000

Geoffrey Edwin Secker OAM
Director
Age: 55
Occupation: Self Employed Cabinet Maker
Geoffrey is a current member of the Heathmont Lions Club, Chair of the Portsea Children's Camp, Chair of the Lexi-Daisy Children's Trust and a Life member of the Nunawading Apex Club.
Committees: Marketing & Communications.
Interest in shares: Nil

Directors (continued)

Anthony Morris Hart
Director
Age: 63
Occupation: Businessman
Anthony has been involved in Banking at a senior level in Australia and overseas for the National Bank for 30 years. He is a member of the Ringwood Chamber of Commerce, Heathmont Traders Assoc. and the Ringwood Soccer Club.
Committees: Human Resources, OH&S.
Interest in shares: 1,000

Christopher Henry Monaghan
Director
Age: 53
Occupation: Consultant
Chris is the secretary at Mt. Evelyn Chamber of Commerce and is a Director at the Apseed Foundation.
Chairman: Marketing & Communications.
Interest in shares: 500

Arthur Michael Corcoris
Director (Resigned 8 November 2010)
Age: 56
Occupation: Supermarket Proprietor
Arthur has been the and operator of supermarkets in Ringwood East and Heathmont for over 20 years. He is regular sponsor of many community groups and a long term active member of the Ringwood East Traders Association.

Janet Ruth McGannon
Director (Appointed 5 July 2011)
Age:51
Occupation: Consultant
Jan has been a Ringwood East resident for 20 years. She has been a management consultant with her own business for more than 12 years, with extensive experience in working with government in human resources, industrial relations and organisation development.

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.

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 a franchised branches of Bendigo and Adelaide Bank Limited.

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

Directors' report continued

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 2011 $	Year ended 30 June 2010 $
	228,560	122,670

Dividends	Year Ended 30 June 2011 Cents	$
Final dividends recommended:	5.00	90,405
Dividends paid in the year:		
- As recommended in the prior year report	4.00	72,325

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.

Indemnification and Insurance of Directors and Officers

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

Indemnification and Insurance of Directors and Officers (continued)

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	14	12	2	2	11	3	4	4
Neville Keith Walker	14	11	2	2	-	-	-	-
Paul Eugene Conway	7	2	-	-	-	-	-	-
William Pirie Sutherland	14	12	-	-	-	-	4	2
Maxwell Ernest Vincent	14	12	-	-	-	-	-	-
Geoffrey Edwin Secker OAM	14	12	-	-	11	6	-	-
Anthony Morris Hart	14	6	-	-	-	-	4	2
Christopher Henry Monaghan	14	12	-	-	11	11	-	-
Arthur Michael Corcoris (Resigned 8/11/10)	14	8	-	-	-	-	-	-
Janet Ruth McGannon (Appointed 5/07/11)	0	0	-	-	-	-	-	-

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.

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.

Directors' report continued

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 13.

Signed in accordance with a resolution of the board of directors at Ringwood East, Victoria on 2 September 2011.

Stuart Robert Greig, Chairman

Neville Keith Walker, Director

Auditor's independence declaration

Partners in success
Chartered Accountants

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 2011 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

2nd September 2011

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	1,894,219	1,545,837
Employee benefits expense		(789,543)	(802,340)
Charitable donations, sponsorship, advertising and promotion		(203,015)	(72,045)
Occupancy and associated costs		(123,816)	(104,152)
Systems costs		(43,319)	(47,353)
Depreciation and amortisation expense	5	(157,711)	(69,990)
Finance costs	5	(5,269)	(5,751)
General administration expenses		(236,233)	(261,248)
Profit before income tax expense		**335,313**	**182,958**
Income tax expense	6	(106,753)	(60,288)
Profit after income tax expense		**228,560**	**122,670**
Total comprehensive income for the year		**228,560**	**122,670**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	23	12.64	6.78

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,079,040	814,110
Trade and other receivables	8	185,335	186,908
Total Current Assets		**1,264,375**	**1,001,018**
Non-Current Assets			
Property, plant and equipment	9	298,904	422,734
Intangible assets	10	66,415	96,197
Deferred tax assets	11	57,643	30,829
Total Non-Current Assets		**422,962**	**549,760**
Total Assets		**1,687,337**	**1,550,778**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	55,902	65,522
Current tax liabilities	11	83,373	31,864
Borrowings	13	-	17,526
Provisions	14	152,383	143,528
Total Current Liabilities		**291,658**	**258,440**
Non-Current Liabilities			
Borrowings	13	-	45,724
Provisions	14	42,551	31,641
Total Non-Current Liabilities		**42,551**	**77,365**
Total Liabilities		**334,209**	**335,805**
Net Assets		**1,353,128**	**1,214,973**
Equity			
Issued capital	15	1,073,286	1,073,286
Accumulated losses	16	279,842	141,687
Total Equity		**1,353,128**	**1,214,973**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the Year Ended 30 June 2011

	Issued Capital $	Retained Earnings $	Total Equity $
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**
Balance at 1 July 2010	**1,073,286**	**141,687**	**1,214,973**
Total comprehensive income for the year	**-**	**228,560**	**228,560**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(90,405)	(90,405)
Balance at 30 June 2011	**1,073,286**	**279,842**	**1,353,128**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		2,009,925	1,633,126
Payments to suppliers and employees		(1,576,435)	(1,413,146)
Interest received		58,475	13,880
Interest paid		(5,269)	(5,751)
Income taxes paid		(82,059)	(32,063)
Net cash provided by operating activities	**17**	**404,637**	**196,046**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(4,100)	(10,300)
Net cash used in investing activities		**(4,100)**	**(10,300)**
Cash Flows From Financing Activities			
Repayment of borrowings		(63,251)	(11,776)
Dividends paid		(72,356)	(54,163)
Net cash used in financing activities		**(135,607)**	**(65,939)**
Net increase in cash held		**264,930**	**119,807**
Cash and cash equivalents at the beginning of the financial year		814,110	694,303
Cash and cash equivalents at the end of the financial year	**7(a)**	**1,079,040**	**814,110**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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.

Financial statement presentation

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.

Historical cost convention

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.

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

  In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

  Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

  Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

  Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

  The company's financial statements contain a single statement of comprehensive income.

  Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

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® branches at Ringwood East and Heathmont.

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited 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)

b) Revenue (continued)

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has be exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its Community Bank® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and Community Bank® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Deferred tax (continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

g) Property, Plant and Equipment (continued)

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.

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.

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

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 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.

Note 1. Summary of Significant Accounting Policies (continued)

n) 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.

o) 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.

p) 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.

Note 2. Financial Risk Management (continued)

(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.

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

(i) the distribution limit is the greater of:

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

  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the statement of comprehensive income.

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

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

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.

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.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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.

	2011 $	2010 $

Note 4. Revenue from Ordinary Activities

Operating activities:		
- services commissions	1,835,502	1,509,802
- other revenue	6,791	6,016
Total revenue from operating activities	**1,842,293**	**1,515,818**
Non-operating activities:		
- interest received	51,926	30,019
Total revenue from non-operating activities	**51,926**	**30,019**
Total revenues from ordinary activities	**1,894,219**	**1,545,837**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	23,046	23,111
- leasehold improvements	104,883	17,097
Amortisation of non-current assets:		
- franchise agreement	4,297	4,297
- franchise renewal fee	25,485	25,485
	157,711	**69,990**
Finance costs:		
- interest paid	**5,269**	**5,751**
Bad debts	**8,512**	**6,284**

	Note	2011 $	2010 $

Note 6. Income Tax Expense

	Note	2011 $	2010 $
The components of tax expense comprise:			
- Current tax		133,567	65,615
- Movement in deferred tax		(26,814)	(5,327)
		106,753	**60,288**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		335,313	182,958
Prima facie tax on profit from ordinary activities at 30%		100,594	54,888
Add tax effect of:			
- non-deductible expenses		10,747	9,892
- timing difference expenses		26,818	5,325
- blackhole expenses		(4,592)	(4,490)
		133,567	**65,615**
Movement in deferred tax	11	(26,814)	(5,327)
		106,753	**60,288**

Note 7. Cash and Cash Equivalents

	Note	2011 $	2010 $
Cash at bank and on hand		96,252	135,307
Term deposits		982,788	678,803
		1,079,040	**814,110**
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		96,252	135,307
Term deposits		982,788	678,803
		1,079,040	**814,110**

	2011 $	2010 $

Note 8. Trade and Other Receivables

	2011 $	2010 $
Trade receivables	152,753	136,152
Other receivables and accruals	11,826	18,375
Prepayments	20,756	32,381
	185,335	**186,908**

Note 9. Property, Plant and Equipment

	2011 $	2010 $
Plant and equipment		
At cost	183,107	181,157
Less accumulated depreciation	(105,659)	(82,613)
	77,448	**98,544**
Leasehold improvements		
At cost	397,887	395,737
Less accumulated depreciation	(176,431)	(71,547)
	221,456	**324,190**
Total written down amount	**298,904**	**422,734**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	98,544	121,655
Additions	1,950	-
Disposals		-
Less: depreciation expense	(23,046)	(23,111)
Carrying amount at end	**77,448**	**98,544**
Leasehold improvements		
Carrying amount at beginning	324,190	330,986
Additions	2,150	10,300
Disposals		-
Less: depreciation expense	(104,884)	(17,096)
Carrying amount at end	**221,456**	**324,190**
Total written down amount	**298,904**	**422,734**

	2011 $	2010 $

Note 10. Intangible Assets

	2011 $	2010 $
Franchise fee		
At cost	21,484	21,484
Less: accumulated amortisation	(12,082)	(7,785)
	9,402	**13,699**
Renewal processing fee		
At cost	127,425	127,425
Less: accumulated amortisation	(70,412)	(44,927)
	57,013	**82,498**
Total written down amount	**66,415**	**96,197**

Note 11. Tax

	2011 $	2010 $
Current Liability:		
Income tax payable	**83,373**	**31,864**
Non-Current Asset:		
Deferred tax assets		
- employee provisions	31,344	30,829
- depreciation	26,299	-
	57,643	**30,829**
Net deferred tax asset	**57,643**	**30,829**
Movement in deferred tax charged to statement of comprehensive income	**(26,814)**	**(5,327)**

Note 12. Trade and Other Payables

	2011 $	2010 $
Trade creditors	14,733	27,316
Other creditors and accruals	41,169	38,206
	55,902	**65,522**

Notes to the financial statements continued

	2011 $	2010 $

Note 13. Borrowings

	2011 $	2010 $
Current:		
Chattel mortgage	-	17,526
	-	**17,526**
Non-Current:		
Chattel mortgage	-	45,724
	-	**45,724**

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 was secured over the bus. The interest rate was fixed and the loan was for a period of 5 years. During the year the loan was paid out.

Note 14. Provisions

	2011 $	2010 $
Current:		
Provision for annual leave	61,928	71,123
Provision for dividend	90,455	72,405
	152,383	**143,528**
Non-Current:		
Provision for long service leave	**42,551**	**31,641**
Number of employees at year end	13	11

Note 15. Contributed Equity

	2011 $	2010 $
1,808,118 Ordinary shares fully paid (2010: 1,808,118)	1,148,109	1,148,109
Less: equity raising expenses	(74,823)	(74,823)
	1,073,286	**1,073,286**

Note 15. Contributed Equity (continued)

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.

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 419 shareholders.

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

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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.

	2011 $	2010 $
Note 16. Retained Earnings		
Balance at the beginning of the financial year	141,687	91,342
Net profit from ordinary activities after income tax	228,560	122,670
Dividends paid or provided for	(90,405)	(72,325)
Balance at the end of the financial year	**279,842**	**141,687**

Note 17. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

	2011 $	2010 $
Profit from ordinary activities after income tax	228,560	122,670
Non cash items:		
- depreciation	127,929	40,208
- amortisation	29,782	29,782

	2011 $	2010 $

Note 17. Statement of Cashflows (continued)

Changes in assets and liabilities:		
- (increase)/decrease in receivables	1,573	(47,149)
- increase in other assets	(26,814)	(5,327)
- increase/(decrease) in payables	(9,618)	4,554
-increase in provisions	1,716	17,757
-increase in current tax liabilities	51,509	33,551
Net cashflows provided by operating activities	**404,637**	**196,046**

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	69,312	69,062
- between 12 months and 5 years	84,597	126,348
- greater than 5 years	-	-
	153,908	**195,410**

Both branch premises leases are non-cancellable leases the Ringwood East branch lease is due for renewal in November 2013 with an additional five year term available. A new two year lease agreement for the Heathmont branch lease was implemented in June 2011, it is due for renewal in May 2013 with an additional two terms available. Rent is payable monthly in advance for both leases.

Note 19. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,788	3,788
	3,788	**3,788**

	2011 $	2010 $

Note 20. Director and Related Party Disclosures

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

Stuart Robert Greig

Neville Keith Walker

Paul Eugene Conway

William Pirie Sutherland

Maxwell Ernest Vincent

Geoffrey Edwin Secker OAM

Anthony Morris Hart

Christopher Henry Monaghan

Arthur Michael Corcoris (Resigned 8 November 2010)

Janet Ruth McGannon (Appointed 5 July 2011)

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

Transactions with related parties:

Other related parties:

	2011 $	2010 $
Pauls IGA a company associated with Arthur Michael Corcoris supplied goods or services to the value of	609	3,551
Focus Financial Group a firm associated with Neville Keith Walker supplied goods or services to the value of	12,400	11,400
AGS Systems a company associated with Geoffrey Edwin Secker supplied goods or services to the value of	800	570

Directors Shareholdings	**2011**	**2010**
Stuart Robert Greig	4,002	4,002
Neville Keith Walker	20,002	20,002
Paul Eugene Conway	-	-
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

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings		**2011**	**2010**
Arthur Michael Corcoris (Resigned 8 November 2010)	(1)	-	80,002
Janet Ruth McGannon (Appointed 5 July 2011)		-	-

(1) Arthur Michael Corcoris resigned from office during the current financial year and accordingly his shareholding at 30 June 2011 is not disclosed.

There was no movement in directors shareholdings during the year.

Note 21. Dividends Paid or Provided

	2011 $	**2010 $**
a. Dividends paid during the year		
Prior year proposed final	**72,325**	**54,244**
100% (2010: 100%) franked dividend - 4 cents (2010: 3 cents) per share		
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2010: 100%) franked dividend - 5 cents (2010: 4 cents) per share	**90,405**	**72,325**
The tax rate at which dividends have been franked is 30% (2010: 30%).		
Dividends proposed will be franked at a rate of 30% (2010: 30%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	172,687	113,875
- franking credits that will arise from payment of income tax payable as at the end of the financial year	83,373	31,865
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(38,745)	(30,996)
Franking credits available for future financial reporting periods:	217,315	114,744
- 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	**217,315**	**114,744**

Note 22. 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.

Note 23. Earnings Per Share

	2011 $	2010 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	228,560	122,670
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,808,118	1,808,118

Note 24. 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 25. Contingent Liabilities

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

Note 26. 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 27. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

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

Note 28. 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.

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						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	1,079,040	814,110	-	-	-	-	-	-	-	-	5.05	3.98
Receivables	-	-	-	-	-	-	-	-	185,335	186,908	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	-	63,250	-	-	-	-	9.16	8.29
Payables	-	-	-	-	-	-	-	-	55,902	65,502	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Maroondah Community Enterprises Limited, we state that:

In the opinion of the directors:

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

   (i) giving a true and fair view of the company's financial position as at 30 June 2011 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 AASB124 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 2nd of September 2011.

Independent audit report

Partners in success

Chartered Accountants

Independent Auditor's Report To The Members Of Maroondah Community Enterprises Limited

Report on the Financial Report

We have audited the accompanying financial report of Maroondah Community Enterprises Limited, which comprises the balance sheet as at 30 June 2011, 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 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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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 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards 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 2011. 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 2011, complies with section 300A of the Corporations Act 2001.

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

2nd September 2011

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62 Railway Avenue, Ringwood East VIC 3135
Phone: (03) 9870 3655

Heathmont **Community Bank**® Branch
143 Canterbury Road, Heathmont VIC 3135
Phone: (03) 9870 6654

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Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
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(BMPAR11025) (07/11)

Bendigo Bank