

2020

annual report

Moorabool Community
Enterprises Limited

ABN 46 148 907 591

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Chairman's report

For year ending 30 June 2012

It is with great pleasure that I present to you the Annual Report for the year ended 30 June 2012. It has been an exciting year for Moorabool Community Enterprises Limited; with achieving in excess of minimum shareholder subscription in July 2011 and closing the subscription early in 2012 at \$752,110. Our branch was fitted out in October, the Branch Manager and staff appointed, and then we held the very exciting launch of the Branch on 4 November 2011. This Annual Report reflects those early establishment months followed by eight months' of banking operations; and the Board and I are pleased to report we are well on track with our original projections.

The Board has made a strong commitment to all our shareholders and customers across the district to ensure all community groups are considered for support with grants and sponsorships. And we welcome your support in banking with our branch. Due to the overwhelming response in shareholder subscriptions we have been able to bring some of our business development plans forward, and whilst it has taken some time, a decision made by your Board in the 2012 financial year has come to fruition with the launch of an ATM at Bungaree only this month.

Thanks to the support of **Community Bank**[®] branch customers and shareholders the Australia-wide network has now returned more than \$80 million to support and strengthen local communities like ours. Ballan & District **Community Bank**[®] Branch has played a key role in this milestone, already returning more than \$11,000 to the local community.

These community grants and sponsorships have already made a significant difference to a number of local organisations including Gordon, Ballan, Bungaree, Dunnstown and Springbank Football Netball Clubs, Ballan Autumn Festival, Myrniong Music in the Park, Wallace & District Kindergarten and all of the Primary Schools in the District. We look forward to continuing to support these groups and many more as more people bank with us and we become more successful.

This is an inspirational milestone and our **Community Bank**[®] company is working hard to secure the support of our local community so that we can invest more profits in community strengthening activities and show our appreciation to our shareholders with a dividend payment.

We are very fortunate to be in partnership with the Bendigo and Adelaide Bank, and in December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P).

S&P's decision to raise the Bank's long-term rating from BBB+ to A- means the Bank, including its **Community Bank**[®] partners, such as Ballan & District **Community Bank**[®] Branch is now rated 'A' by all three of the world's leading credit rating agencies.

I would like to thank the Board for their hard work and tireless efforts to establish the Ballan & District **Community Bank**[®] Branch; including those Directors who have retired. I would also like to thank Andrew Moss, our Branch Manager and his staff for their hard work and dedication in taking on their new roles and in the efficient and effective running of the branch. I commend this Annual Report to you.



Robert Eskdale
Chairman

Manager's report

For year ending 30 June 2012

Ballan & District **Community Bank**[®] Branch opened its doors on 4 November 2011 and has since enjoyed a great amount of support from the local community. By achieving 113% of our overall target for the first year (based on the prospectus), we are off to a good start.

During the year the staff and I have developed good working relationships and have been working as a team to increase our skills and knowledge. This will help us to continue to serve our customers needs and ensure that the branch continues to grow steadily.

Going forward our goal is for Ballan & District **Community Bank**[®] Branch to be profitable in the near future by increasing our customer base. This will enable us to keep local capital within our community.

I would like to extend my appreciation to the Board of Directors, shareholders and customers of Ballan & District **Community Bank**[®] Branch for all of their support thus far. With your continued and increased support we will be able to provide further support to the community through dividends to shareholders and grants to local groups and projects.



Andrew Moss
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

Directors

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

Robert John Eskdale

Chairman

Age: 62

Occupation: Consultant Civil Engineer, Town Planner and Project Manager.

Robert is a qualified Civil Engineer, who has spent 24 years in local government and now owns a local engineering and planning consultancy practice in Ballan. Robert is extensively involved in organisations in the local community.

Interest in shares: 16,000

Anthony Carolus Dufty

Director

Age: 47

Occupation: Production Manager

Anthony holds a Bachelor of Science (Honours), a Master of Science (Zoology), Diploma of Business Administration and a Certificate IV in Training and Assessment. Anthony lives on a farm at Myrning and has worked at CSL for the past 18 years.

Interest in shares: 500

Dominic Gerard Hanrahan

Director

Age: 42

Occupation: Senior Security Analyst

Dominic holds a degree in Applied Science (Computer Science/Labatory Instrumentation). He works for IBM Australia as a Security Incident Manager. Dominic is also a Board member at St Francis Xavier Primary School and a member of the Mt Warrenheip CFA.

Interest in shares: 7,501

Jennifer Maree Hudson

Secretary/Treasurer

Age: 53

Occupation: Chief Financial Officer

Jennifer is a Fellow of the Australian Institute of Management, holds a Diploma of Business in Accounting and a Masters of Business Administration in Marketing and has over 30 years experience in business. Jennifer is an active volunteer in a number of community groups.

Interest in shares: 2,001

James William Hay

Director

Age: 72

Occupation: Farmer

After graduating from RMIT in Chemical Engineering James went on to work in oil refinery, manufacturing and Risk/Safety/Engineering. He now has a farm in Mt Egerton. James is President of the Board of Management for Ballan District Health and Care and chair of the Finance Committee for the Ballarat Anglican Diocese.

Interest in shares: 5001

Adrian Richard Lanigan

Director

Age: 55

Occupation: Public Servant DHS

Adrian holds a Bachelor of Arts (Hons), Diploma of Education (Secondary) and a Graduate Certificate in Human resources. Adrian works at the Department of Human Services where he manages financial and complex, contractual arrangements between the Victorian Government and various Community Services Organisations.

Interest in shares: 5,501

Directors' report (continued)

Directors (continued)

Mark William Powell

Director

Age: 52

Occupation: Farmer

Mark graduated from Economics at La Trobe University, where he went on to work in the building and banking industries. Mark has been an active member of the community and is on a number of local community boards.

Interest in shares: 10,001

Geoffrey Ronald Taylor

Director

Age: 54

Occupation: Real Estate Agent

Geoffrey is director and officer in effective control of a busy real estate office in Ballan and is also a co director of a trust administration company.

Interest in shares: 6,001

Ian Charles Woodhouse

Director

Age: 71

Occupation: Farmer and business owner

Ian has been actively involved in service clubs, Landcare and re-vegetation groups. He is a founding member of the Apollo Bay Lions Club where he served as President. He now lives in Gordon where he has established a plantation for the production of truffles.

Interest in shares: 10,001

Darren Patrick Rix

Director

Age: 43

Occupation: Business Owner

Darren operates a vehicle hire franchise. He is currently the President of the Bungaree Football Netball Club and is involved with other community organisations.

Interest in shares: 20,001

Peter Raymond Whitefield

Director

Age: 56

Occupation: Director - Business Consulting

Peter holds an MBA in Marketing and a Certificate IV in Training and Assessment. Peter has been extensively involved in community projects through the Rotary Club and has also been involved in the Forest Street School Council and Ballarat City Rowing Club. He is currently a member of the Ballan Chamber of Commerce and the Gordon Festival committee.

Interest in shares: 1,001

Helen Margaret Mahar

Director

Age: 54

Occupation: Senior Administration Officer

Helen has worked in various administration positions with both government departments and private industry. Helen has a strong commitment in supporting local community groups and is currently involved in the Springbank Football Netball Club.

Interest in shares: 1,000

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 Jennifer Hudson. Jennifer was appointed to the position of secretary on 21 January 2011. Jennifer has over 30 years experience in management, administration and finance across a broad range of industries. She holds a Diploma of Business Accounting, an MBA in Marketing and is an associate fellow of the Australian Institute of Management.

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 a franchised branch of Bendigo and Adelaide Bank Limited.

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/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
	(140,503)	1,375

Remuneration Report

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

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

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.

Indemnification and Insurance of Directors and Officers

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

Directors' report (continued)

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:

	Number of Board Meetings	
	Eligible to attend	Number attended
Robert John Eskdale	18	16
Jennifer Maree Hudson	18	18
Anthony Carolus Dufty	18	12
James William Hay	18	11
Dominic Gerard Hanrahan	18	14
Adrian Richard Lanigan	18	14
Mark William Powell	18	11
Darren Patrick Rix	18	13
Geoffrey Ronald Taylor	18	13
Peter Raymond Whitefield	18	14
Ian Charles Woodhouse	18	11
Helen Margaret Mahar	18	13

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;

Directors' report (continued)

Non Audit Services (continued)

- 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 9.

Signed in accordance with a resolution of the board of directors at Ballan, Victoria on 5 September 2012.



**Robert John Eskdale,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Moorabool 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 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 5 September 2012

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

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	156,187	5,500
Employee benefits expense		(183,304)	-
Charitable donations, sponsorship, advertising and promotion		(14,020)	(1,044)
Occupancy and associated costs		(32,129)	-
Systems costs		(20,977)	-
Depreciation and amortisation expense	5	(35,883)	-
Finance costs	5	(34)	-
General administration expenses		(66,198)	(4,889)
Loss before income tax credit		(196,358)	(433)
Income tax credit	6	55,855	1,808
Profit/(loss) after income tax credit		(140,503)	1,375
Total comprehensive income for the year		(140,503)	1,375
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	(19.62)	2.49

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	277,743	445,953
Trade and other receivables	8	22,098	786
Total Current Assets		299,841	446,739
Non-Current Assets			
Property, plant and equipment	9	181,382	-
Intangible assets	10	97,978	-
Deferred tax assets	11	57,663	1,808
Total Non-Current Assets		337,023	1,808
Total Assets		636,864	448,547
LIABILITIES			
Current Liabilities			
Trade and other payables	12	33,415	15,803
Borrowings	13	-	10,400
Provisions	14	13,984	-
Total Current Liabilities		47,399	26,203
Total Liabilities		47,399	26,203
Net Assets		589,465	422,344
Equity			
Issued capital	15	728,593	420,969
Retained earnings/(Accumulated losses)	16	(139,128)	1,375
Total Equity		589,465	422,344

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2010	-	-	-
Total comprehensive income for the year	-	1,375	1,375
Transactions with owners in their capacity as owners:			
Shares issued during period	444,511	-	444,511
Costs of issuing shares	(23,542)	-	(23,542)
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	420,969	1,375	422,344
Balance at 1 July 2011	420,969	1,375	422,344
Total comprehensive income for the year	-	(140,503)	(140,503)
Transactions with owners in their capacity as owners:			
Shares issued during period	307,599	-	307,599
Costs of issuing shares	25	-	25
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	728,593	(139,128)	589,465

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		146,065	6,000
Payments to suppliers and employees		(301,082)	(5,019)
Interest received		4,860	-
Interest paid		(34)	-
Net cash provided by/(used in) operating activities	17	(150,191)	981
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(202,598)	-
Payments for intangible assets		(112,645)	-
Net cash used in investing activities		(315,243)	-
Cash Flows From Financing Activities			
Proceeds from issues of shares		307,624	444,511
Payment for share issue costs		-	(9,939)
Proceeds from borrowings		-	10,400
Repayment of borrowings		(10,400)	-
Net cash provided by financing activities		297,224	444,972
Net increase/(decrease) in cash held		(168,210)	445,953
Cash and cash equivalents at the beginning of the financial year		445,953	-
Cash and cash equivalents at the end of the financial year	7(a)	277,743	445,953

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

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.

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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

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 at Ballan, Victoria.

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 (continued)

The branch 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).

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 (i.e. ‘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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. '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 been 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.

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).

c) Income Tax

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

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.

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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.

The establishment 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

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.

Notes to the financial statements (continued)

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.

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%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the statement of comprehensive income.

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

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.

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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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.

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.

	2012	2011
	\$	\$

Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	149,388	-
- other revenue	-	5,500
Total revenue from operating activities	149,388	5,500

Non-operating activities:

- interest received	6,799	-
Total revenue from non-operating activities	6,799	-
Total revenues from ordinary activities	156,187	5,500

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	13,501	-
- leasehold improvements	7,716	-

Amortisation of non-current assets:

- franchise agreement	1,333	-
- establishment fee	13,333	-
	35,883	-

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 5. Expenses (continued)			
Finance costs:			
- interest paid		34	-
Bad debts		171	-

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:

- Current tax		-	-
- Future income tax benefit attributed to losses		(52,241)	-
- Movement in deferred tax		(3,614)	(1,808)
- Recoup of prior year tax loss		-	-
- Under/(Over) provision of tax in the prior period		-	-
		(55,855)	(1,808)

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss		(196,358)	(433)
Prima facie tax on profit from ordinary activities at 30%		(58,907)	(129)
Add tax effect of:			
- non-deductible expenses		4,400	-
- timing difference expenses		3,614	-
- other deductible expenses		(1,348)	(1,679)
		(52,241)	(1,808)
Movement in deferred tax	11	(3,614)	(1,808)
Under/(Over) provision of income tax in the prior year		-	-
		(55,855)	(1,808)

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		48,068	1,454
Trust account		29,675	444,499
Term deposits		200,000	-
		277,743	445,953

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 7. Cash and Cash Equivalents (continued)

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	48,068	1,454
Trust account	29,675	444,499
Term deposits	200,000	-
	277,743	445,953

Note 8. Trade and Other Receivables

Trade receivables	16,218	-
Other receivables and accruals	1,939	786
Prepayments	3,941	-
	22,098	786

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	34,098	-
Less accumulated depreciation	(13,500)	-
	20,598	-

Leasehold improvements

At cost	168,500	-
Less accumulated depreciation	(7,716)	-
	160,784	-

Total written down amount

181,382 -

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	-	-
Additions	34,098	-
Disposals	-	-
Less: depreciation expense	(13,500)	-
Carrying amount at end	20,598	-

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	168,500	-
Disposals	-	-
Less: depreciation expense	(7,716)	-
Carrying amount at end	160,784	-
Total written down amount	181,382	-

Note 10. Intangible Assets

Franchise fee		
At cost	10,000	-
Less: accumulated amortisation	(1,333)	-
	8,667	-
Establishment/Renewal processing fee		
At cost	100,000	-
Less: accumulated amortisation	(13,333)	-
	86,667	-
Ballan agency payout	2,644	-
Total written down amount	97,978	-

Note 11. Tax

Non-Current:

Deferred tax assets

- accruals	-	-
- employee provisions	4,195	-
- tax losses carried forward	54,049	1,808
	58,244	1,808

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	581	-
- deductible prepayments	-	-
	581	-
Net deferred tax asset	57,663	1,808
Movement in deferred tax charged to statement of comprehensive income	(55,855)	-

Note 12. Trade and Other Payables

Trade creditors	28,529	-
Other creditors and accruals	4,886	15,803
	33,415	15,803

Note 13. Borrowings

Current:

Directors' loans	-	10,400
	-	10,400

Note 14. Provisions

Current:

Provision for annual leave	13,984	-
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Note 15. Contributed Equity

752,110 Ordinary shares fully paid (2011: 444,511)	752,110	444,511
Less: equity raising expenses	(23,517)	(23,542)
	728,593	420,969

Notes to the financial statements (continued)

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®** branch 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 277. As at the date of this report, the company had 306 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.

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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.

	2012 \$	2011 \$
Note 16. Retained Earnings/Accumulated Losses		
Balance at the beginning of the financial year	1,375	-
Net profit/(loss) from ordinary activities after income tax	(140,503)	1,375
Dividends paid or provided for	-	-
Balance at the end of the financial year	(139,128)	1,375

Note 17. Statement of Cashflows

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

Profit/(Loss) from ordinary activities after income tax	(140,503)	1,375
Non cash items:		
- depreciation	21,216	-
- amortisation	14,666	-
Changes in assets and liabilities:		
- increase in receivables	(21,312)	(786)
- increase in other assets	(55,854)	(1,808)
- increase in payables	17,612	2,200
-increase in provisions	13,984	-
Net cashflows used in operating activities	(150,191)	981

Notes to the financial statements (continued)

	2012 \$	2011 \$
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	34,438	-
- between 12 months and 5 years	118,349	-
- greater than 5 years	-	-
	152,787	-

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease expires in September 2016 with 2 further terms of 5 years available.

Note 19. Auditor's Remuneration

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

- audit and review services	3,400	2,200
- share registry services	3,308	-
- non audit services	1,400	7,400
	8,108	9,600

Note 20. Director and Related Party Disclosures

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

Robert John Eskdale
Jennifer Maree Hudson
Anthony Carolus Dufty
James William Hay
Dominic Gerard Hanrahan
Adrian Richard Lanigan
Mark William Powell
Darren Patrick Rix
Geoffrey Ronald Taylor
Peter Raymond Whitefield
Ian Charles Woodhouse
Helen Margaret Mahar

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

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures (continued)

Directors' Shareholdings	2012	2011
Robert John Eskdale	16,000	16,000
Jennifer Maree Hudson	2,001	1,001
Anthony Carolus Dufty	500	1,500
James William Hay	5,001	5,001
Dominic Gerard Hanrahan	7,501	7,501
Adrian Richard Lanigan	5,501	5,501
Mark William Powell	10,001	9,001
Darren Patrick Rix	20,001	19,001
Geoffrey Ronald Taylor	6,001	1,001
Peter Raymond Whitefield	1,001	1,001
Ian Charles Woodhouse	10,001	6,001
Helen Margaret Mahar	1,000	1,000

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.

	2012	2011
	\$	\$

Note 22. Earnings Per Share

(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(140,503)	1,375
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	716,133	55,112

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.

Notes to the financial statements (continued)

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Ballan, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. 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
128 Inglis Street	135 Inglis Street
Ballan VIC 3342	Ballan VIC 3342

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.

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					
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	77,744	445,499	200,000	-	-	-	-	-	-	-	1.82	Nil
Receivables	-	-	-	-	-	-	-	-	22,098	786	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	10,400	N/A	Nil
Payables	-	-	-	-	-	-	-	-	33,416	15,083	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Moorabool 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 2012 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.



Robert John Eskdale,
Chairman

Signed on the 5th of September 2012.

Independent audit report



Independent auditor's report to the members of Moorabool Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of Moorabool Community Enterprises Limited, which comprises the balance sheet as at 30 June 2012, 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.

P: (03) 5443 0344

F: (03) 5443 5304

61-65 Bull St./PO Box 454 Bendigo Vic. 3552

afs@afsbendigo.com.au

www.afsbendigo.com.au

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Independent audit report (continued)

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 Moorabool 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 2012 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 2012. 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 Moorabool Community Enterprises Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 5 September 2012

Ballan & District **Community Bank**[®] Branch
Shops 1-2, 135 Inglis Street, Ballan VIC 3342
Phone: (03) 5368 1133

Franchisee: Moorabool Community Enterprises Limited
128 Inglis Street, Ballan VIC 3342
ABN: 46 148 907 591
www.bendigobank.com.au/ballan

