Strzelecki Ranges
Community Enterprises
Limited

ABN 76 139 013 095

Annual Report 2012

Mirboo North & District Community Bank® Branch

Contents

Chairman's Report

For year ending 30 June 2012

It is a great pleasure to report on the second year of operation of the Mirboo North & District **Community Bank**® Branch. The community has continued its strong support, with significant growth in deposits, loans and client numbers.

The outcome of this support has been the ability of the Board to award community grants totalling nearly $40,000 to not-for-profit community organisations across Mirboo North, Boolarra and Yinnar and to make provision for a dividend of five cents per share to our shareholders by November 2012. The branch has thus begun to achieve its reason-for-being in only the second year of its existence.

We could not have achieved this milestone without the strong commitment of all members of our team. Branch Manager Alan Bannister, and the branch team have an excellent reputation in the community for their efficiency, professionalism and outstanding customer service. Their support and assistance to the Board is also greatly appreciated, and I thank them for this on behalf of all Directors.

I must also thank Deputy Chairman Karen Anton and all Directors for their untiring work to develop the business and, through it, the communities of Mirboo North & District. Board members devote a very large amount of time and effort to the activities of the Board and its committees, and in representing the **Community Bank**® branch in the wider community. Through their involvement in so many facets of community life, including taking a leadership role in the development of a Community Plan for Mirboo North, Directors have helped to reinforce the value of the **Community Bank**® branch to the Mirboo North, Boolarra and Yinnar communities. One Director, Gero Gardiner, retired at the end of last year. Gero was a founding member of the Board after serving on the Steering Committee from its inception and on the Mirboo North Cooperative Board for even longer. On behalf of Directors and the community, I thank Gero for her unswerving commitment and wide-ranging contributions to the establishment of the **Community Bank**® branch. Warren Warner joined the Board this year, bringing his business planning experience to the role of Treasurer. Matt Gleeson also joined the Board this year, bringing a strong background in farming and marketing.

To our shareholders I again say a deeply felt thank you. The confidence and commitment you demonstrated by investing in the **Community Bank**® branch has undoubtedly encouraged so many others in our communities to make their own commitment by placing their banking with us. We hope that you will be willing to continue to assist us in promoting the message that the Board has now adopted as our slogan:

"Banking at Your **Community Bank**® branch will benefit Your Community"

I am very pleased to present to shareholders this Annual Report for the financial year 2011/2012.

John Harris

Chairman

Manager’s Report

For year ending 30 June 2012

We have a had a fantastic year recording growth of $7.9 million and experiencing strong support across the widespread communities of Mirboo North, Boolarra, Yinnar and surrounding districts.

We recorded an operating profit and contributed funds to the Bendigo and Adelaide Bank’s Community Enterprise Foundation™ which will allow us to make various grants to community organisations throughout our district.

This is an exciting chapter for us because it is why we exist. To provide convenient banking services, make a contribution to our community via sponsorship and donations, grants for worthwhile community projects and provide local employment.

This is all made possible by our customers who support us with their banking knowing that they will receive great service, competitive banking products and the satisfaction of knowing their banking is helping their community.

This year we have expanded our services by installing a 24-hour ATM in Yinnar. The ATM has been well received by the public who have enjoyed the convenience of accessing cash in a small rural community. We have also trialled an open office in Boolarra on Wednesday mornings and in Yinnar on Wednesday afternoons for customers to visit their local Branch Manager and discuss their banking needs. The Yinnar office will continue to operate for the foreseeable future.

We are keen to pursue other means of making banking convenient and I remain available for after hours appointments at Mirboo North or to your home, office or farm. Simply call 5668 1231 to request a visit.

Our success is due to the great attitude of our dedicated staff who are always considerate of the customer’s needs and provide you with professional friendly service. Call in and see what a difference a smile can make to your day.

Alan Bannister

Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

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:

Karen Michelle Anton
Chairman *(Until 29 November 2011)*
Age: 43
Occupation: Retail Assistant/Home Maker
Experience and expertise:
Karen has held committee positions with numerous sporting and community groups; 15-year employment history in banking; extensive community networks; effective public speaker and well developed communication and diplomacy skills.
Special responsibilities: All committees
Interest in shares: 3,001

Warren Leigh Warner
Treasurer *(Appointed 25 October 2011)*
Age: 60
Occupation: Retired
Experience and expertise:
National Sales and Account management in Pharmacy and Food industries for the period 1977 until retirement in 2009. Last 5 years responsible Food Services accounts for Goodman Fielder, managing the sales of $44M and profitability associated with those sales and strategies required to achieve budget targets. Now involved with a number of community associations.
Special responsoibiliites: Business Development and Finance Committees
Interest in shares: 5,000

Geoffrey Alan Williamson
Secretary
Age: 51
Occupation: Executive Officer
Experience and expertise:
Experience as Director 7 Company Secretary for SRCEL since incorporation in August 2009. B.A. (Psych.); 23 years in public service and not-for-profit sectors – both service delivery and management roles. Past office holder in community groups; experience in community arts projects.
Special responsibilities: All committees
Interest in shares: 2,501

Stephen Gerard Duncan
Director
Age: 50
Occupation: Mechanical Engineer
Experience and expertise:
Qualified Engineer; management experience in small business, national and international industry sectors; previous involvement as office holder in community groups.

Special responsibilities: Finance & Audit Committee and Governance Committee
Interest in shares: 5,501

Margaret Lilian Lynn
Director
Age: 66
Occupation: Retired
Experience and expertise:
PhD in community analysis and community development; past senior lecturer and head of school at Monash University and Chair of Centre for Rural Communities from 1995; Extensive experience in community and regional management committees. Highly developed analytical and written communication skills.
Special responsibilities: Human Resources Committee and Governance Committee
Interest in shares: 6,201

Robert Herni
Director
Age: 69
Occupation: Nursery Manager
Experience and expertise:
Wide experience in community activities including current community bank Directorship and Steering Committee member. Prior to running his nursery Rob worked in the allied health industry managing aged care and assessment programs. Rob chairs the Boolarra Community Development Groups, and demonstrates a strong community involvement.
Special responsibilities: Finance & Audit Committee and Governance Committee
Interest in shares: 2,501

John Arthur Harris
Chairman *(From 29 November 2011)*
Age: 68
Occupation: Retired
Experience and expertise:
B.Sc., M.Sc., Dip.Ed. University academic, 39 years teaching and research; Professor and Director, Centre for Learning and Teaching Support, Monash University. Life Member, Apex and Member, Lions. Inaugural President, Kurnai College Council, Secretary, Yinnar and District Community Association.
Special responsibilities: Business Development Committee and Governance Committee
Interest in shares: 1,001

Colin William Kiel
Director
Age: 61
Occupation: Engineer
Experience and expertise:
Mechanical Engineer with Business Studies; plastics manufacturer in local area recently expanded to larger premises in nearby regional city; founding board member and Chairman for past 9 years of Mirboo North Community Support Co-operative, facilitating Bendigo Bank Agency for 10 years prior to opening of community bank.

Special responsibilities: Human Resources Committee and Property Committee
Interest in shares: 50,001

Directors *(continued)*

Julie Ann Monacella
Director
Age: 43
Occupation: Finance Director
Experience and expertise:
Julie has 15 years' banking experience, including management, past and present office holder in sporting and community groups.
Special responsibilities: Finance & Audit Committee and Human Resources Committee
Interest in shares: 10,000

Matthew Joseph Gleeson
Director *(Appointed 25 October 2011)*
Age: 39
Occupation: Primary Producer
Experience and expertise
Dairy farmer at Boolarra. Director of GippsDairy, Boolarra Cemetery Trust and member of Southern Rural Water Southern Groundwater and Rivers Forum. Justice of the Peace. Bachelor of Business. Advanced Diploma of Agriculture
Special responsibilities: Human Resources and Marketing and Sponsorship Committees
Interest in shares: 2,000

Gerardine Mary Gardener
Director *(Resigned 2 November 2011)*
Age: 58
Occupation: Adult Education Teacher
Experience and expertise:
Dip Ed Primary. Director of Mirboo North Community Support Co-operative. Involved in various committees in Mirboo North for 20 years.
Special responsibilities: Business Development Committee and Marketing & Sponsorship Committee.

Interest in shares: 10,001

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

Geoff Williamson was appointed the Company Secretary at incorporation on 21 August 2009. Geoff has some 23 years' experience in public service and not for profit sector that included management roles, various committee roles including secretarial, in addition to extensive report writing experience. He has been an office holder in community organisations including secretarial roles and has several years' experience managing his own business.

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 $
3,375	(4,402)

Remuneration Report

(a) Remuneration of Directors

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

(b) Remuneration of Branch Manager

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the branch manager is to maintain remuneration at parity within the Community Bank® network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role. There are therefore no specific executives.

During the financial year the Company did not pay any directors, secretary or senior managers remuneration. The policy of not paying directors any remuneration maybe reviewed in the coming year.

Dividends

No dividends were declared or paid for the previous year. Directors are reviewing and a dividend is to be paid during the current year

Significant Changes in the State of Affairs

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

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											
			Finance & Audit		Governance		Business Development		Marketing & Sponsorship		Human Resources		Community Distributions	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*
Karen Michelle Anton	11	10	-	-	-	-	12	8	10	10	-	-	-	-
Geoffrey Alan Williamson	11	11	6	6	1	1	12	12	10	8	1	1	4	4
Stephen Gerard Duncan	11	9	6	5	1	1	-	-	-	-	-	-	4	3
Margaret Lilian Lynn	11	11	-	-	1	1	-	-	-	-	1	1	3	3
Robert Hemi	11	10	-	-	-	-	9	6	6	4	-	-	4	4
John Arthur Harris	11	11	6	5	1	1	11	12	-	-	-	-	-	-
Colin William Kiel	11	9	-	-	-	-	-	-	-	-	-	-	-	-
Julie Ann Monacella	11	8	6	5	-	-	-	-	-	-	1	1	4	4
Warren Leigh Warner *(Appointed 25 October 2011)*	8	7	6	6	-	-	8	9	-	-	-	-	-	-
Matthew Joseph Gleeson *(Appointed 25 October 2011)*	8	7	-	-	-	-	-	-	5	3	1	-	-	-
Gerardine Mary Gardener *(Resigned 2 November 2011)*	4	3	-	-	-	-	-	-	4	4	-	-	-	-

A - Eligible to attend
B - Number attended

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.

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 ...

Signed in accordance with a resolution of the board of directors at Mirboo North, Victoria on 9 October 2012.

Geoffrey Alan Williamson, Secretary

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Strzelecki Ranges 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.

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

Dated: 9 October 2012

Statement of Comprehensive Income
for the Year Ended 30 June 2012

	Notes	2012 $	2011 $
Revenues from ordinary activities	4	609,945	492,727
Employee benefits expense		(312,648)	(278,098)
Charitable donations, sponsorship, advertising and promotion		(85,583)	(26,904)
Occupancy and associated costs		(16,765)	(17,662)
Systems costs		(38,609)	(34,171)
Depreciation and amortisation expense	5	(59,220)	(50,593)
Finance costs	5	(1,984)	(2,152)
General administration expenses		(82,571)	(80,353)
Profit before income tax expense		**12,565**	**2,794**
Income tax expense	6	(9,190)	(7,196)
Profit/(loss) after income tax expense		3,375	(4,402)
Total comprehensive income for the year		**3,375**	**(4,402)**
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	0.41	(0.53)

The accompanying notes form part of these financial statements

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Balance Sheet
as at 30 June 2012

	Notes	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	412,065	473,662
Trade and other receivables	8	66,140	44,750
Total Current Assets		**478,205**	**518,412**
Non-Current Assets			
Property, plant and equipment	9	441,688	212,534
Intangible assets	10	134,182	156,182
Deferred tax assets	11	3,817	1,538
Total Non-Current Assets		**579,687**	**370,254**
Total Assets		**1,057,892**	**888,666**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	6,675	41,620
Current tax liabilities	11	4,657	7,163
Borrowings	13	27,015	13,251
Provisions	14	13,559	8,804
Total Current Liabilities		**51,906**	**70,838**
Non-Current Liabilities			
Borrowings	13	193,321	11,325
Provisions	14	3,961	1,174
Total Non-Current Liabilities		**197,282**	**12,499**
Total Liabilities		**249,188**	**83,337**
Net Assets		**808,704**	**805,329**
Equity			
Issued capital	15	812,778	812,778
Accumulated losses	16	(4,074)	(7,449)
Total Equity		**808,704**	**805,329**

The accompanying notes form part of these financial statements

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Changes in Equity
for the Year Ended 30 June 2012

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2010	794,222	(3,047)	791,175
Total comprehensive income for the year	-	(4,402)	(4,402)
Transactions with owners in their capacity as owners:			
Shares issued during period	21,300	-	21,300
Costs of issuing shares	(2,744)	-	(2,744)
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	812,778	(7,449)	805,329
Balance at 1 July 2011	812,778	(7,449)	805,329
Total comprehensive income for the year	-	3,375	3,375
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	812,778	(4,074)	808,704

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Statement of Cashflows
for the Year Ended 30 June 2012

	Notes	2012 $	2011 $
Cash Flows From Operating Activities			
Receipts from customers		633,042	501,928
Payments to suppliers and employees		(629,550)	(468,560)
Interest received		21,484	9,869
Interest paid		(1,984)	(2,152)
Income taxes paid		(13,975)	(265)
Net cash provided by operating activities	17	9,017	40,820
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(266,374)	(208,974)
Payments for intangible assets		-	(178,182)
Net cash used in investing activities		(266,374)	(387,156)
Cash Flows From Financing Activities			
Proceeds from issues of shares		-	21,300
Payment for share issue costs		-	(2,744)
Repayment of borrowings		(11,838)	(7,577)
Proceeds from borrowings		206,818	-
Net cash provided by financing activities		194,980	10,979
Net decrease in cash held		(62,377)	(335,357)
Cash and cash equivalents at the beginning of the financial year		473,662	809,019
Cash and cash equivalents at the end of the financial year	7(a)	411,285	473,662

The accompanying notes form part of these financial statements

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 Mirboo North, Victoria.

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

a) Basis of Preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited *(continued)*

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 (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. This change will not affect Strzelecki Ranges Community Enterprises Limited until 1 April 2012. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Comr**

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

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

<u>Recognition and initial measurement</u>

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.

<u>Derecognition</u>

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.

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.

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

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.

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

Note 2. Financial Risk Management *(continued)*

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

(i) the distribution limit is the greater of:
  (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

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.

Note 3. Critical Accounting Estimates and Judgements *(continued)*

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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.

Note 4. Revenue from Ordinary Activities	**2012 $**	**2011 $**
Operating activities:		
- services commissions	584,736	476,207
- other revenue	3,779	1,800
Total revenue from operating activities	588,515	478,007
Non-operating activities:		
- interest received	21,430	14,720
Total revenue from non-operating activities	21,430	14,720
Total revenues from ordinary activities	609,945	492,727

Note 5. Expenses

	Note	2012 $	2011 $
Depreciation of non-current assets:			
- plant and equipment		27,588	19,952
- leasehold improvements		9,213	8,641
- buildings		419	-
Amortisation of non-current assets:			
- franchise agreement		2,000	2,000
- establishment fee		20,000	20,000
		59,220	50,593
Finance costs:			
- interest paid		1,984	2,152
Bad debts		150	85

Note 6. Income Tax Expense

	Note	2012 $	2011 $
The components of tax expense comprise:			
- Current tax		11,469	7,428
- Movement in deferred tax		(2,279)	(1,538)
- Recoupment of prior year tax loss		-	1,306
		9,190	7,196

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

	Note	2012 $	2011 $
Operating profit		12,565	2,794
Prima facie tax on profit from ordinary activities at 30%		3,770	838
Add tax effect of:			
- non-deductible expenses		6,661	6,600
- timing difference expenses		2,279	2,537
- other deductible expenses		(1,241)	(1,241)
		11,469	8,734
Movement in deferred tax	11	(2,279)	(1,538)
		9,190	7,196

Note 7. Cash and Cash Equivalents

	Note	2012 $	2011 $
Cash at bank and on hand		113,738	413,662
Term deposits		298,327	60,000
		412,065	473,662

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

	Note	2012 $	2011 $
Cash at bank and on hand		113,738	413,662
Term deposits		298,327	60,000
Bank overdraft	13	(780)	-
		411,285	473,662

	2012 $	2011 $
Note 8. Trade and Other Receivables		
Trade receivables	43,747	39,388
Other receivables and accruals	22,393	4,851
Prepayments	-	511
	66,140	44,750

Note 9. Property, Plant and Equipment

	2012 $	2011 $
Plant and equipment		
At cost	94,344	76,660
Less accumulated depreciation	(47,540)	(19,952)
	46,804	56,708
Leasehold improvements		
At cost	174,440	164,467
Less accumulated depreciation	(17,854)	(8,641)
	156,586	155,826
Buildings		
At cost	203,717	-
Less accumulated depreciation	(419)	-
	203,298	155,826
Land		
At cost	35,000	-
Total written down amount	441,688	212,534

Movements in carrying amounts:

	2012 $	2011 $
Plant and equipment		
Carrying amount at beginning	56,708	-
Additions	17,684	76,660
Disposals	-	-
Less: depreciation expense	(27,588)	(19,952)
Carrying amount at end	46,804	56,708
Leasehold improvements		
Carrying amount at beginning	155,826	-
Additions	9,973	164,467
Disposals	-	-
Less: depreciation expense	(9,213)	(8,641)
Carrying amount at end	156,586	155,826
Buildings		
Carrying amount at beginning	-	-
Additions	203,717	-
Disposals	-	-
Less: depreciation expense	(419)	-
Carrying amount at end	203,298	-
Land		
Carrying amount at beginning	-	-
Additions	35,000	-
Disposals	-	-
Carrying amount at end	35,000	-
Total written down amount	441,688	212,534

Note 10. Intangible Assets

	2012 $	2011 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,000)	(2,000)
	6,000	8,000
Establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(40,000)	(20,000)
	60,000	80,000
Agency fee	68,182	68,182
Total written down amount	134,182	156,182

Note 11. Tax

Current:

	2012 $	2011 $
Income tax payable	4,657	7,163

Non-Current:

	2012 $	2011 $
Deferred tax assets		
- accruals	-	-
- employee provisions	5,256	2,993
	5,256	2,993
Deferred tax liability		
- accruals	1,439	1,455
- deductible prepayments	-	-
	1,439	1,455
Net deferred tax asset	3,817	1,538
Movement in deferred tax credited to statement of comprehensive income	(2,279)	(1,538)

Note 12. Trade and Other Payables

	2012 $	2011 $
Trade creditors	3,797	12,312
Other creditors and accruals	2,878	29,308
	6,675	41,620

Note 13. Borrowings

	Note	2012 $	2011 $
Current:			
Chattel mortgage	**18**	12,738	13,251
Bank overdraft		780	-
Loan		13,497	-
		27,015	13,251
Non-Current:			
Chattel mortgage	**18**	-	11,325
Loan		193,321	-
		193,321	11,325

The loan is repayable annually over 20 years. Interest is fixed at 3% p.a. for the term of the loan.

Note 14. Provisions

	2012 $	2011 $
Current:		
Provision for annual leave	13,559	8,804
Non-Current:		
Provision for long service leave	3,961	1,174

Note 15. Contributed Equity

	2012 $	2011 $
833,462 Ordinary shares fully paid (2011: 833,426)	833,462	833,462
Less: equity raising expenses	(20,684)	(20,684)
	812,778	812,778

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).

Note 15. Contributed Equity *(continued)*

Rights attached to shares *(continued)*

(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 339. As at the date of this report, the company had 391 shareholders.

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

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

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

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

Note 16. Accumulated Losses	**2012** **$**	**2011** **$**
Balance at the beginning of the financial year	(7,449)	(3,047)
Net profit/(loss) from ordinary activities after income tax	3,375	(4,402)
Balance at the end of the financial year	(4,074)	(7,449)

Note 17. Statement of Cashflows

	2012 $	2011 $
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	3,375	(4,402)
Non cash items:		
- depreciation	37,220	28,593
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- increase in receivables	(21,390)	(39,328)
- increase in other assets	(2,279)	(232)
- increase/(decrease) in payables	(34,945)	17,048
- increase in provisions	7,542	9,978
- increase/(decrease) in current tax liabilities	(2,506)	7,163
Net cashflows provided by operating activities	9,017	40,820

Note 18. Leases

	2012 $	2011 $
Chattel mortgage commitments		
Payable - minimum repayments		
- not later than 12 months	13,251	13,251
- between 12 months and 5 years	-	13,251
- greater than 5 years	-	-
Minimum lease payments	13,251	26,502
Less future finance charges	(513)	(1,926)
Present value of minimum lease payments	12,738	24,576

The chattel mortgage has a five year term, with repayments made on a monthly basis. Interest is recognised at an average rate of 7.35%.

Note 19. Auditor's Remuneration

	2012 $	2011 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,400	3,400
- non audit services	6,296	2,381
	9,696	5,781

Note 20. Director and Related Party Disclosures

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

Karen Michelle Anton
Stephen Gerard Duncan
Geoffrey Alan Williamson
Margaret Lilian Lynn
Robert Herni
John Arthur Harris
Colin William Kiel
Julie Ann Monacella
Warren Leigh Warner *(Appointed 25 October 2011)*
Matthew Joseph Gleeson *(Appointed 25 October 2011)*
Gerardine Mary Gardener *(Resigned 2 November 2011)*

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.

Directors Shareholdings	**2012**	**2011**
Karen Michelle Anton	3,001	3,001
Stephen Gerard Duncan	5,501	5,501
Geoffrey Alan Williamson	2,501	2,501
Margaret Lilian Lynn	6,201	6,201
Robert Herni	2,501	2,501
John Arthur Harris	1,001	1,001
Colin William Kiel	50,001	50,001
Julie Ann Monacella	10,000	10,000
Warren Leigh Warner *(Appointed 25 October 2011)*	5,000	5,000
Matthew Joseph Gleeson *(Appointed 25 October 2011)*	2,000	2,000
Gerardine Mary Gardener *(Resigned 2 November 2011)*	10,001	10,001

There was no movement in directors shareholdings during the year.

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.

Note 22. Earnings Per Share	**2012** $	**2011** $
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	3,375	(4,402)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	827,139	18,169

Note 23. Events Occurring After the Balance Sheet Date

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

Note 24. Contingent Liabilities

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

Note 25. Segment Reporting

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

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
88 Ridgeway Road Mirboo North VIC 3871	88 Ridgeway Road Mirboo North VIC 3871

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: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	113,738	413,662	298,327	60,000	-	-	-	-	-	-	4.35	3.22
Receivables	-	-	-	-	-	-	-	-	61,342	39,387	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	780	-	26,235	11,838	53,986	12,738	139,335	-	-	-	3.64	7.35
Payables	-	-	-	-	-	-	-	-	3,797	30,737	N/A	N/A

Strzelecki Ranges Community Enterprises Limited
ABN 76 139 013 095
Directors' Declaration

In accordance with a resolution of the directors of Strzelecki Ranges 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.

Geoffrey Alan Williamson, Secretary

Signed on the 9th of October 2012.

Partners in success

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of Strzelecki Ranges 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.

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 Strzelecki Ranges 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 Strzelecki Ranges 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: 9 October 2012

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Bendigo Bank