Hastings & District
Community Enterprise Ltd

ABN 47 129 333 044

annual report 2011

Hastings & District **Community Bank®** Branch

Contents

Annual Report cover images

Front Cover

- Scouts from 1st Tyabb Scout Group lead our prize winning entry in the Western Port Festival street parade.

Back cover (left to right)

- School based trainee Rachael with Customer Service Officer, Myrna.
- Bendigo Bank mascot Piggy rides in style in the Western Port Festival street parade.
- Rev Alex Packer(R) and fete organiser Jess Harper at the very successful Holy Trinity annual Community Fete.
- Manager Greg Hood(left) with Steve Espenchied (centre. WPBA President) and Kenny Brunner (right. WBPA Development Officer) at the Western Port Basketball Association's finals day.
- Staff (left to right) Myrna, Jennifer, Greg, Sharon and Kerry celebrate $50,000 of community grants and sponsorships at our 3rd birthday in June. Missing is staff member Justine and school based trainee Rachael.

All photos are by Steve Dowling – (Director)

Chairman's report

For year ending 30 June 2011

Once again it is my pleasure to report to shareholders, on behalf of the Board, on Company performance for the year ending 30 June 2011.

As I report on the third year of operation, I am reminded of the vision that we had in late 2006, that of a successful **Community Bank®** branch for Hastings. Whilst we are not quite there as yet, our financials continue to improve with reduced trading losses during this period and in fact small profits being made in April and May of this year.

This year of trading has again seen steady growth in our total banking business together with financial returns on that business, in line with our prospectus. Moreover, we have contained our expenses in line with our budget, with the result that we have experienced a large reduction in trading losses during this period. Certainly the improvement promised at this time last year has been evident.

To achieve our aims we must continue to grow our total banking business, and again we ask the community for their continued support in transferring their banking business to our branch. As our business increases, so does our profitability, and hence our returns to the community.

We continue to utilise our Market Development Fund to the benefit of the community. As at 30 June we have returned more than $50,000 to the community in the way of grants and sponsorships. Again it is important to note at this time that this use of funds in no way impacts on our bottom line. These funds are part and parcel of our Franchise Agreement with the Bendigo and Adelaide Bank Ltd and are a reward for business growth. We will continue to use these funds in the manner they were meant to be used.

To our Branch Manager, Greg Hood, and his wonderful branch staff, thank you for another great year. Our staff continues to give outstanding service to our customers and we are continually reminded of this by the high number of accolades received.

To our shareholders, I thank you for your continued support; we really rely on, and appreciate that support. Without you, we clearly would not be here today.

Our Company continues to be managed by a very sound and hard working Board of Directors. These Directors give freely of their time and energy and of course, are all volunteers, their only payment being the satisfaction of making a difference in their community. On your behalf I thank them for their dedication to the task.

Finally, I certainly look forward to reporting to you at this time next year on the continual growth and profitability of our Company.

Vic Rodwell
Chairman

Manager's report

For year ending 30 June 2011

Welcome to the annual report for Hastings and District Community Enterprises Limited. This is my first report since commencing as Branch Manager in December 2010 and what an exciting six months it has been.

In June this year we celebrated our third anniversary and we have been able to grow our total lending and deposit balances to more than $46 million as at the end of the financial year, a fantastic result.

This result is made up of 2,013 savings and investment accounts, an increase over the year from 1,741, and our loan facilities have increased from 237 at the start of the year to now be 286.

The success of our branch over the past 12 months can be attributed to the dedication of my team in making everyone feel welcome in our branch and endeavouring to make our customer's banking experience a pleasurable one for them.

All staff are able to assist with general banking and insurance enquiries and our branch also has dedicated Customer Relationship Officers that are able to spend time with customers for more involved discussions about their banking requirements.

We have also had a new staff member join our team in Jenny. In the short time that she has been with us she has become a valued member of our team. Justine Burns has also returned from 12 months leave so we now have a full complement of staff on board who are all eager to look after all your banking requirements and to help you achieve your financial goals.

True to our philosophy as a **Community Bank®** branch, we have a commitment to be engaged with many of our local organisations. During the year we attended many of our community partners' functions and also provided them with valuable sponsorships. These partner groups range from sporting and recreational groups, schools, CFA brigades, youth and aged focussed organisations.

While our balances increase so too does the amount of contributions that our branch makes back to the Hastings and District community. We have contributed more than $50,000 to the community since opening in June 2008. These contributions have been spread over more than 45 community groups.

Continued support from customers and the continued growth of our balances will see a further increase in our funding contributions.

Please feel free to come into the branch and say hello and experience the service that our exceptional staff can provide to you.

As a **Community Bank®** branch we are in a privileged position to be able to help make a difference for the better to the Hastings and District community. With your support and increased profits from our branch you will be amazed at the difference we can make to our community.

In closing I would like to thank the Board of Directors for their support over the past 12 months and especially their support to me since starting with the branch six months ago. The staff and I look forward with your support, to our continued growth this coming year.

Greg Hood
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

Directors

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

Lisa Dixon
Director
Retail Business Owner

Kenneth Ingersoll
Director
Retired

Benjamin Tallon
Director (resigned 25 August 2010)
Real Estate Agent

Brian Stahl OAM, JP
Director
Retired

Alfred Tallon
Director
Real Estate Agent

Robert Tuckett
Director (appointed 29 June 2011)
Retail Business Owner

Richard Armstrong OBE
Director (appointed 25 August 2010)
Retired

Peter DeJong
Director (appointed 25 August 2010,
resigned 31 August 2011)
Retired

Victor Rodwell
Chairman
Retired

John Crough
Director
Retired

Steven Dowling
Director
Company Director

Pamela Ford
Director
Public Servant

Dominic Tallon
Alternate Director (appointed 29 June 2011)
Real Estate Agent

Desmond Kissick
Director (resigned 30 March 2011)
Dealer Principal

Andrew Iredale
Director (appointed 25 August 2010)
Retailer

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Directors' report continued

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Review of operations

The loss of the Company for the financial year after provision for income tax was $58,391 (2010: $118,594).

Dividends

The Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

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

Significant events after the balance date

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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 providing banking services to the community.

Remuneration report

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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board meetings #
Lisa Dixon	11 (11)
Victor Rodwell	10 (11)
Kenneth Ingersoll	11 (11)
John Crough	6 (11)
Benjamin Tallon (resigned 25 August 2010)	0 (1)
Steven Dowling	8 (11)
Brian Stahl OAM, JP	10 (11)
Pamela Ford	6 (11)
Alfred Tallon	5 (11)
Dominic Tallon (appointed 29 June 2011)	0 (0)
Robert Tuckett (appointed 29 June 2011)	0 (0)
Desmond Kissick (resigned 30 March 2011)	5 (8)
Richard Armstrong OBE (appointed 25 August 2010)	10 (10)
Andrew Iredale (appointed 25 August 2010)	10 (10)
Peter DeJong (appointed 25 August 2010, 31 August 2011)	8 (10)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Victor Rodwell has been Company Secretary since July 2010 after taking over from Leonard Butcher JP. His qualifications and experience include being a Certified Practising Accountant. Victor has extensive experience in running a variety of businesses.

Corporate governance

The Company has implemented various corporate governance practices, which include:

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

Directors' report continued

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty

Chartered Accountants

23 September 2011

The Directors
Hastings & District Community Enterprises Ltd
88 High St
HASTINGS VIC 3915

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Hastings & District Community Enterprises Ltd for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Hasting on 23 September 2011.

Victor Charles Rodwell, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	420,489	330,961
Employee benefits expense	3	(257,230)	(258,945)
Charitable donations and sponsorship		(15,572)	(10,391)
Depreciation and amortisation expense	3	(36,248)	(40,199)
Finance costs	3	(9,936)	(1,798)
Other expenses		(182,114)	(188,879)
Loss before income tax expense		**(80,611)**	**(169,251)**
Income tax benefit	4	(22,220)	(50,657)
Loss after income tax expense		**(58,391)**	**(118,594)**
Other comprehensive income		-	-
Total comprehensive income		**(58,391)**	**(118,594)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(7.47)	(15.17)
- diluted for loss for the year	21	(7.47)	(15.17)

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Receivables	7	45,382	34,257
Total current assets		**45,382**	**34,257**
Non-current assets			
Property, plant and equipment	8	204,807	234,492
Deferred tax assets	4	186,708	164,488
Intangible assets	9	7,643	11,725
Total non-current assets		**399,158**	**410,705**
Total assets		**444,540**	**444,962**
Current liabilities			
Payables	10	37,433	29,563
Provisions	11	10,083	3,165
Bank overdraft	6	171,741	128,560
Total current liabilities		**219,257**	**161,288**
Total liabilities		**219,257**	**161,288**
Net assets		**225,283**	**283,674**
Equity			
Share capital	12	769,898	769,898
Retained earnings / (accumulated losses)	13	(544,615)	(486,224)
Total equity		**225,283**	**283,674**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		451,437	356,597
Cash payments in the course of operations		(482,201)	(487,493)
Interest paid		(9,936)	(1,798)
Interest received		-	86
Net cash flows used in operating activities	**14b**	**(40,700)**	**(132,608)**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,481)	(343)
Net cash flows used in investing activities		**(2,481)**	**(343)**
Net decrease in cash held		**(43,181)**	**(132,951)**
Cash and cash equivalents at start of year		(128,560)	4,391
Cash and cash equivalents at end of year	**14a**	**(171,741)**	**(128,560)**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		769,898	769,898
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**769,898**	**769,898**
Retained earnings / (accumulated losses)			
Balance at start of year		(486,224)	(367,630)
Loss after income tax expense		(58,391)	(118,594)
Dividends paid	20	-	-
Balance at end of year		**(544,615)**	**(486,224)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Hastings & District Community Enterprises Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 23 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have material impact on the Company's financial statements.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

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

Class of asset	Depreciation rate
Plant & equipment	13.33 - 50%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Goods and services tax (continued)

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

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

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

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Loans and borrowings

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

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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparative figures

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

	2011 $	2010 $

Note 2. Revenue from continuing operations

Operating activities		
- services commissions	97,791	87,912
- other revenue	322,698	242,963
	420,489	**330,875**
Non-operating activities:		
- interest received	-	86
	-	**86**
	420,489	**330,961**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	190,380	211,420
- superannuation costs	19,711	20,254
- workers' compensation costs	390	635
- other costs	46,749	26,636
	257,230	**258,945**
Depreciation of non-current assets:		
- plant and equipment	32,166	36,117

Notes to the financial statements continued

	2011 $	2010 $
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangibles	4,082	4,082
	36,248	**40,199**
Finance Costs:		
- Interest paid	9,936	1,798
Bad debts	158	1,205

Note 4. Income tax expense

	2011 $	2010 $
The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on loss before income tax at 30%	(24,183)	(50,776)
Add tax effect of:		
- Non-deductible expenses	1,963	119
Current income tax benefit	**(22,220)**	**(50,657)**
Income tax benefit	**(22,220)**	**(50,657)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**186,708**	**164,488**

Note 5. Auditors' remuneration

	2011 $	2010 $
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	1,600	1,375
	5,500	**5,275**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand / (bank overdraft)	**(171,741)**	**(128,560)**

	2011 $	2010 $

Note 7. Receivables

Trade debtors	45,382	34,257
	45,382	**34,257**

Note 8. Property, plant and equipment

Plant and equipment		
At cost	315,416	312,935
Less accumulated depreciation	(110,609)	(78,443)
	204,807	**234,492**
Total written down amount	**204,807**	**234,492**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	234,492	270,266
Additions	2,481	343
Disposals	-	-
Depreciation expense	(32,166)	(36,117)
Carrying amount at end of year	**204,807**	**234,492**

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(6,000)	(4,000)
	4,000	**6,000**
Preliminary expenses		
At cost	10,409	10,409
Less accumulated amortisation	(6,766)	(4,684)
	3,643	**5,725**
	7,643	**11,725**

	2011 $	2010 $

Note 10. Payables

	2011 $	2010 $
GST payable	4,196	1,860
Trade creditors	23,984	18,254
Other creditors and accruals	9,253	9,449
	37,433	**29,563**

Note 11. Provisions

	2011 $	2010 $
Employee benefits	**10,083**	**3,165**
Movement in employee benefits		
Opening balance	3,165	2,398
Additional provisions recognised	14,645	16,263
Amounts utilised during the year	(7,727)	(15,496)
Closing balance	**10,083**	**3,165**

Note 12. Share capital

	2011 $	2010 $
781,762 Ordinary shares fully paid of $1 each	781,762	781,762
Less: Equity raising costs	(11,864)	(11,864)
	769,898	**769,898**

Note 13. Retained earnings / (accumulated losses)

	2011 $	2010 $
Balance at the beginning of the financial year	(486,224)	(367,630)
Profit/(loss) after income tax	(58,391)	(118,594)
Dividends	-	-
Balance at the end of the financial year	**(544,615)**	**(486,224)**

Note 14. Statement of cash flows

	2011 $	2010 $
(a) Cash and cash equivalents		
Cash assets / (bank overdraft)	(171,741)	(128,560)
	(171,741)	**(128,560)**

	2011 $	2010 $
Note 14. Statement of cash flows (continued)		
(b) Reconciliation of loss after tax to net cash provided used in operating activities		
Loss after income tax	(58,391)	(118,594)
Non cash items		
- Depreciation	32,166	36,117
- Amortisation	4,082	4,082
Changes in assets and liabilities		
- (Increase) decrease in receivables	(11,125)	(7,661)
- (Increase) decrease in deferred tax asset	(22,220)	(50,657)
- Increase (decrease) in payables	7,870	3,338
- Increase (decrease) in provisions	6,918	767
Net cash flows from/(used in) operating activities	**(40,700)**	**(132,608)**

Note 15. Director and related party disclosures

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

Lisa Dixon
Victor Rodwell
Kenneth Ingersoll
John Crough
Benjamin Tallon (resigned 25 August 2010)
Steven Dowling
Brian Stahl OAM, JP
Pamela Ford
Alfred Tallon
Dominic Tallon (appointed 29 June 2011)
Robert Tuckett (appointed 29 June 2011)
Desmond Kissick (resigned 30 March 2011)
Richard Armstrong OBE (appointed 25 August 2010)
Andrew Iredale (appointed 25 August 2010)
Peter DeJong (appointed 25 August 2010, 31 August 2011)

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

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	**2011**	**2010**
Lisa Dixon	2,501	2,501
Victor Rodwell	50,001	50,001
Kenneth Ingersoll	21,001	21,001
John Crough	-	-
Benjamin Tallon (resigned 25 August 2010)	-	-
Steven Dowling	10,000	10,000
Brian Stahl OAM, JP	2,001	2,001
Pamela Ford	5,001	5,001
Alfred Tallon	20,000	20,000
Dominic Tallon (appointed 29 June 2011)	-	-
Robert Tuckett (appointed 29 June 2011)	-	-
Desmond Kissick (resigned 30 March 2011)	12,001	12,001
Richard Armstrong OBE (appointed 25 August 2010)	500	500
Andrew Iredale (appointed 25 August 2010)	2,000	2,000
Peter DeJong (appointed 25 August 2010, 31 August 2011)	20,000	20,000

There was no movement in shares during the year. Each share held has a paid up value of $1 and is fully paid.

Note 16. Subsequent events

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 17. Contingent liabilities and assets

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

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Hastings, Victoria.

Note 19. Corporate information

Hastings & District Community Enterprises Ltd is a Company limited by shares incorporated in Australia.

The registered office is:	2 High Street, Hastings VIC 3915
The principal place of business is:	88 High Street, Hastings VIC 3915

Note 20. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

	2011 $	2010 $

Note 21. Earnings per share

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

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2011 $	2010 $
Loss after income tax expense	**(58,391)**	**(118,594)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**781,762**	**781,762**

Note 22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit risk

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

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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

	Carrying amount	
	2011	**2010**
	$	**$**
Receivables	45,382	34,257
	45,382	34,257

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

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the Company has established an overdraft facility with Bendigo and Adelaide Bank Ltd with a limit of $250,000.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	37,433	(37,433)	(37,433)	–	–
Bank overdraft	171,741	(171,741)	(171,741)	–	–
	209,174	**(209,174)**	**(209,174)**	**–**	**–**
30 June 2010					
Payables	29,563	(29,563)	(29,563)	–	–
Bank overdraft	128,560	(128,560)	(128,560)	–	–
	158,123	**(158,123)**	**(158,123)**	**–**	**–**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2011 $	Carrying amount 2010 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(171,741)	(128,560)
	(171,741)	**(128,560)**

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

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

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

Directors' declaration

In accordance with a resolution of the Directors of Hastings & District Community Enterprises Ltd, I state that:

In the opinion of the Directors:

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

  (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; 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.

Victor Charles Rodwell
Chairman

Signed at Hasting on 23 September 2011.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF HASTINGS & DISTRICT COMMUNITY ENTERPRISES LTD

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Hastings & District Community Enterprises Ltd, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Hastings & District Community Enterprises Ltd is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 23 September 2011



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