Hastings & District **Community Bank®** Branch

annual report 2012

Hastings & District
Community Enterprises Ltd

ABN 47 129 333 044

Contents

Annual Report cover images

Front Cover

- Branch Manager Greg Hood and staff (L to R) Jenny, Myrna, Justine and Sharon (absent: Kerry).

Back cover

- Top: Scouts from 1st Tyabb group lead our Parade entry.
- Bottom left: Chairman, Vic Rodwell and Director, Richard Armstrong take over the BBQ at a football match.
- Bottom right: Western Port Basketball Association finals presentations.

Chairman's report

For year ending 30 June 2012

It gives me great pleasure to report to shareholders, on behalf of the Board, on company performance for the year ending 30 June 2012, this being the fourth years trading of our company.

When we commenced this journey four years ago we understood that it would not be easy and a great learning curve for all of us. It has certainly been all of that. The frustrations of being so close to profit but still not yet fully achievable continue to remain with us.

At this time last year, I reported that we were trading according to our prospectus in both business growth and the reduction of trading losses. In fact I also reported that we were close to consistent profitability.

Unfortunately, due to especially harsh trading conditions in the Financial Services Industry, and the inevitable increases in our cost base, we have been unable to reach that target in the past financial year. Trading for all banks in this financial year has been rather tough, with higher funding costs and low demand for credit. This has impacted on all banks and we certainly aren't immune for all of this.

However, despite this, the past three months have seen us in profit in two of those three months and given reasonable trading conditions, we are now positioned to move into consistent profitability during the months ahead.

Our total banking business continues to grow and has risen by $13 million over the past financial year. We continue to focus on generating new business from all of our market areas in an effort to increase our core revenue.

We continue to utilise our Market Development Fund for the benefit of the community and to this date we have given grants, sponsorships etc to the extent of $130,000. This is $130,000 the community would not have received had we not pursued the formation of a **Community Bank®** branch for Hastings.

To our wonderful branch staff, lead by our Manager, Greg Hood, thank you for your help and assistance during this past year. It is always a joy to enter "Our bank" to be welcomed by the smiling faces of our staff, and continuing reports coming back to us, indicate that customers certainly feel the same way. Thank you once again.

To you our shareholders, we sincerely thank you for your patience and support, whilst we go through the growth process. Without your support we simply would not be here.

To our Board of Directors, my sincere thanks for your dedicated service to our community. History will show that the pain, heartaches and frustrations, were all very, very, worthwhile.

Vic Rodwell
Chairman

Manager's report

For year ending 30 June 2012

Welcome the fourth Annual Report for Hastings & District **Community Bank®** Branch.

This is my second report and I am very proud of what the branch and staff has been able to achieve during the past 12 months. We have been able to grow our business and also make a significant contribution to the Hastings and District community.

During the 12 months, the branch has been able to increase our total deposit and lending balances by $13 million.

While we have experienced an increase in our footings we have seen many new customers welcomed to our **Community Bank®** branch. We now hold a total of 2,688 deposit and loan accounts.

Our customers are to be commended for their support of our **Community Bank®** branch, without this support our branch would not be able to contribute to our community's prosperity in the way we have.

Our **Community Bank®** branch has been able to contribute $130,000 back to 60 different community groups.

During the year the branch has been able to establish an excellent relationship with a number of local primary schools. We now have a fantastic relationship with six primary schools and Westernport Secondary College. As well as the Primary Schools, the branch has also contributed to a number of different literacy programs that have been made available to students within our community. To hear of the terrific results and positive influence that these programs are having on the children participating, gives me a great sense of pride in the knowledge that these programs have been able to exist due to a contribution from our **Community Bank®** branch.

Our next step in the process is to ensure that we continue to grow our business over the next 12 months so that we can continue to increase our contributions to such programs, making them available to more students.

Being able to increase our business will allow our **Community Bank®** branch to have more funds available to all community groups making Hastings and District a more enjoyable community environment for us all to be involved in.

Please encourage any family and friends to come in and see us at the branch so that either I and/or my fantastic staff can have an opportunity to explain to them the benefits of banking with Hastings & District **Community Bank®** Branch.

To my staff a special thank you for your efforts during the year and your endless desire to see our branch become more successful than it already is. Each of you are to be congratulated on the high level of service that all our customers receive and your personal time that you give up to help our community groups.

In closing I would like to thank the Board for their continued support and voluntary contribution throughout the year. The staff and I look forward, with your support, to our continued growth for the coming year.

Greg Hood
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report 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 are:

Victor Rodwell
Chairman
Retired

Kenneth Ingersoll
Director
Retired

Brian Stahl OAM, JP
Director
Retired

Alfred Tallon
Director
Real Estate Agent

Andrew Iredale
Director
Retailer

Richard Armstrong OBE
Director
Retired

Peter DeJong
Director (resigned 31 August 2011)
Retired
Board member since 25 August 2010

Lisa Dixon
Director
Retail Business Owner

John Crough
Director
Retired

Steven Dowling
Director
Company Director

Pamela Ford
Director
Public Servant

Dominic Tallon
Alternate Director
Real Estate Agent
Board member since 29 June 2011

Andrew Venturini
Director
Appointed 30 November 2011

Robert Tuckett
Director (resigned 24 October 2011)
Retail Business Owner
Board member since 29 June 2011

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

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

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.

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

Operating results

The loss of the company for the financial year after income tax was ($28,300) (2011: $58,391).

Financial position

The net assets of the company have decreased by $28,300 from 30 June 2011 to $196,983 in 2012. The decrease is largely due to an increase in the bank overdraft of the company.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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.

Indemnifying Officers or Auditor

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.

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.

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings#
Lisa Dixon	9 (10)
Victor Rodwell	10 (10)
Kenneth Ingersoll	9 (10)
John Crough	4 (10)
Steven Dowling	9 (10)
Brian Stahl OAM, JP	10 (10)
Pamela Ford	7 (10)
Alfred Tallon	5 (10)
Dominic Tallon	8 (10)
Richard Armstrong OBE	10 (10)
Andrew Iredale	8 (10)
Andrew Venturini (appointed 30 November 2011)	7 (7)
Robert Tuckett (resigned 24 October 2011)	1 (1)
Peter DeJong (resigned 31 August 2011)	1 (1)

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. His qualifications and experience include being a Certified Practising Accountant. Victor has extensive experience in running a variety of businesses.

Directors' report (continued)

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.

Non audit services

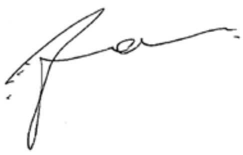
The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Hasting on 3 September 2012.



Victor Charles Rodwell,
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au

www.rsdadvisors.com.au

3 September 2012

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

To the Directors of Hastings & District Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	510,384	420,489
Employee benefits expense	3	(277,689)	(257,230)
Depreciation and amortisation expense	3	(32,327)	(36,248)
Finance costs	3	(11,522)	(9,936)
Other expenses		(188,903)	(182,114)
Operating loss before charitable donations & sponsorships		**(57)**	**(65,039)**
Charitable donations and sponsorship		(40,796)	(15,572)
Loss before income tax expense		**(40,853)**	**(80,611)**
Income tax benefit	4	(12,553)	(22,220)
Net loss for the year		**(28,300)**	**(58,391)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(28,300)**	**(58,391)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(3.62)	(7.47)
- diluted for loss for the year	21	(3.62)	(7.47)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Receivables	7	47,694	45,382
Total current assets		**47,694**	**45,382**
Non-current assets			
Property, plant and equipment	8	179,230	204,808
Deferred tax assets	4	199,261	186,708
Intangible assets	9	3,543	7,643
Total non-current assets		**382,034**	**399,159**
Total assets		**429,728**	**444,541**
Liabilities			
Current liabilities			
Payables	10	29,691	37,433
Provisions	11	9,467	10,083
Bank overdraft	6	193,587	171,741
Total current liabilities		**232,745**	**219,257**
Total liabilities		**232,745**	**219,257**
Net assets		**196,983**	**225,284**
Equity			
Issued capital	12	769,898	769,898
Retained earnings / (accumulated losses)	13	(572,915)	(544,615)
Total equity		**196,983**	**225,283**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		572,430	451,437
Cash payments in the course of operations		(580,104)	(482,201)
Interest paid		(11,522)	(9,936)
Interest received		-	-
Net cash flows used in operating activities	**15b**	**(19,196)**	**(40,700)**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,650)	(2,481)
Net cash flows used in investing activities		**(2,650)**	**(2,481)**
Net decrease in cash held		**(21,846)**	**(43,181)**
Cash and cash equivalents at start of year		(171,741)	(128,560)
Cash and cash equivalents at end of year	**15a**	**(193,587)**	**(171,741)**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		(544,615)	(486,224)
Net loss for the year		(28,300)	(58,391)
Dividends paid	22	-	-
Balance at end of year		**(572,915)**	**(544,615)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Hastings & District Community Enterprises Ltd ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 3 September 2012.

(b) Income tax

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.

(c) 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.

Note 1. Summary of significant accounting policies (continued

(c) Property, plant and equipment (continued)

Depreciation is calculated on a straight line 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.

(d) Impairment 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.

(e) 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Note 1. Summary of significant accounting policies (continued

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	**2011 $**

Note 2. Revenue from continuing operations

	2012 $	2011 $
Revenue from continuing activities		
- services commissions	113,145	97,791
- other revenue	397,239	322,698
	510,384	**420,489**
Other revenue		
- interest received	-	-
	-	**-**
	510,384	**420,489**

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	235,627	190,380
- superannuation costs	26,084	19,711
- workers' compensation costs	1,318	390
- other costs	14,660	46,749
	277,689	**257,230**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	28,227	32,166
Amortisation of non-current assets:		
- intangible assets	4,100	4,082
	32,327	**36,248**
Finance costs:		
- Interest paid	11,552	9,936
Bad debts	2,835	158

Note 4. Income tax expense

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%	(12,256)	(24,183)
Add tax effect of:		
- Non-deductible expenses	(297)	1,963
Current income tax benefit	**(12,553)**	**(22,220)**
Income tax benefit	**(12,553)**	**(22,220)**
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.	**199,261**	**186,708**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	4,600	3,900
- Share registry services	1,815	1,600
	6,415	**5,500**

Note 6. Cash and cash equivalents

Cash at bank and on hand / (bank overdraft)	**(193,587)**	**(171,741)**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 7. Receivables

Trade debtors	47,694	45,382
	47,694	**45,382**

Note 8. Property, plant and equipment

Building & improvements		
At cost	313,363	311,713
Less accumulated depreciation	(136,485)	(109,203)
	76,878	**202,510**
Plant and equipment		
At cost	1,000	-
Less accumulated depreciation	(83)	-
	917	**-**
Furniture & fittings		
At cost	2,143	2,143
Less accumulated depreciation	(1,193)	(816)
	950	**1,327**
Computer equipment		
At cost	1,561	1,561
Less accumulated depreciation	(1,076)	(590)
	485	**971**
Total written down value	**179,230**	**204,808**
Movements in carrying amounts		
Building & improvements		
Carrying amount at beginning of year	202,510	230,788
Additions	1,650	2,481
Disposals	-	-
Depreciation expense	(27,282)	(30,759)
Carrying amount at end of year	**176,878**	**202,510**

	2012 $	2011 $

Note 8. Property, plant and equipment (continued)

	2012 $	2011 $
Plant and equipment		
Carrying amount at beginning of year	-	-
Additions	1,000	-
Disposals		
Depreciation expense	(83)	
Carrying amount at end of year	**917**	**-**
Computer equipment		
Carrying amount at beginning of year	971	1,561
Additions		-
Disposals		
Depreciation expense	(486)	(590)
Carrying amount at end of year	**485**	**971**
Furniture & fittings		
Carrying amount at beginning of year	1,327	2,143
Additions		
Disposals		
Depreciation expense	(377)	(816)
Carrying amount at end of year	**950**	**1,327**
Total carrying amount at end of year	**179,230**	**204,808**

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee	10,000	10,000
At cost	(8,000)	(6,000)
Less accumulated amortisation	2,000	4,000
Preliminary expenses	10,409	10,409
At cost	(8,866)	(6,766)
Less accumulated amortisation	1,543	3,643
	3,543	**7,643**

	2012 $	2011 $

Note 10. Payables

GST payable	4,580	4,196
Trade creditors	16,117	23,984
Other creditors and accruals	8,994	9,253
	29,691	**37,433**

Note 11. Provisions

Employee benefits	**9,467**	**10,083**
Movement in employee benefits		
Opening balance	10,083	3,165
Additional provisions recognised	-	14,645
Amounts utilised during the year	(616)	(7,727)
Closing balance	**9,467**	**10,083**

Note 12. Share capital

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)

Balance at the beginning of the financial year	(544,615)	(486,224)
Profit/(loss) after income tax	(28,300)	(58,391)
Dividends	-	-
Balance at the end of the financial year	**(572,915)**	**(544,615)**

Note 14. Statement of cash flows

(a) Cash and cash equivalents		
Cash assets / (bank overdraft)	(193,587)	(171,741)
	(193,587)	**(171,741)**

	2012 $	2011 $

Note 14. Statement of cash flows (continued)

(b) Reconciliation of loss after tax to net cash provided used in operating activities

	2012 $	2011 $
Loss after income tax	(28,300)	(58,391)
Non cash items		
- Depreciation	28,227	32,166
- Amortisation	4,100	4,082
Changes in assets and liabilities		
- (Increase) decrease in receivables	(2,312)	(11,125)
- (Increase) decrease in deferred tax asset	(12,553)	(22,220)
- Increase (decrease) in payables	(7,742)	7,870
- Increase (decrease) in provisions	(616)	6,918
Net cash flows from/(used in) operating activities	**(19,196)**	**(40,700)**

Note 15. Director and related party disclosures

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

Victor Rodwell
Lisa Dixon
Kenneth Ingersoll
John Crough
Brian Stahl OAM, JP
Steven Dowling
Alfred Tallon
Pamela Ford
Andrew Iredale
Dominic Tallon
Richard Armstrong OBE
Andrew Venturini (appointed 30 November 2011)
Peter DeJong (resigned 31 August 2011)
Robert Tuckett (resigned 24 October 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.

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Victor Rodwell	50,001	50,001
Lisa Dixon	2,501	2,501
Kenneth Ingersoll	20,001	20,001
John Crough	-	-
Brian Stahl OAM, JP	2,001	2,001
Steven Dowling	10,000	10,000
Alfred Tallon	20,000	20,000
Pamela Ford	1,001	1,001
Andrew Iredale	2,000	2,000
Dominic Tallon	-	-
Richard Armstrong OBE	500	500
Andrew Venturini (appointed 30 November 2011)	20,000	20,000
Peter DeJong (resigned 31 August 2011)	20,000	20,000
Robert Tuckett (resigned 24 October 2011)	-	-

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. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Hastings, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Notes to the financial statements (continued)

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.

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:

	2012 $	2011 $
Loss after income tax expense	**(28,300)**	**(58,391)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**781,762**	**781,762**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	-	-
Receivables	7	33,964	45,382
Total financial assets		**33,964**	**45,382**
Financial liabilities			
Payables	10	15,961	37,433
Bank overdraft	14	193,587	171,741
Total financial liabilities		**209,548**	**209,174**

Note 23. Financial risk management (continued)

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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.

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 2012 $	2011 $
Cash and cash equivalents	400	400
Receivables	33,964	45,382
	34,364	**45,782**

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.

None of the assets of the company are past due (2011: 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.

(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 of $250,000 with Bendigo & Adelaide Bank Limited.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	29,691	15,961	–	–
Loans and borrowings	193,587*	193,587	–	–
Total expected outflows	**223,278**	**209,548**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	–	–	–	–
Receivables	47,694	47,694	–	–
Total anticipated inflows	**47,694**	**47,694**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(175,584)**	**(175,584)**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	37,433	37,433	–	–
Loans and borrowings	171,741*	171,741	–	–
Total expected outflows	**209,174**	**209,174**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	–	–	–	–
Receivables	45,382	45,382	–	–
Total anticipated inflows	**45,382**	**45,382**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(163,792)**	**(163,792)**	**–**	**–**

* The Bank overdraft has no set repayment period and as such all has been included as current.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Floating rate instruments		
Financial assets	-	-
Financial liabilities	(193,587)	(171,741)
	(193,587)	**(171,741)**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

<u>Fair values</u>

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

<u>Capital management</u>

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 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.

Directors' declaration

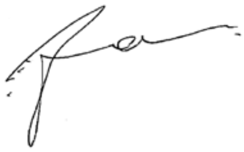
In accordance with a resolution of the Directors of Hastings & District Community Enterprises Ltd, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 9 to 28 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion 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 3 September 2012.

Richmond
Sinnott &
Delahunty

Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au

www.rsdadvisors.com.au

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF HASTINGS COMMUNITY ENTERPRISE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Hastings Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the period ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

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. Those 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 the auditor's 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, the auditor considers internal control relevant to the company's preparation 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 company'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.

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

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Hastings Community Enterprise Limited is 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 period ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 3rd September, 2012

Hastings & District **Community Bank**® Branch
88 High Street, Hastings VIC 3915
Phone: (03) 5979 2075

Franchisee: Hastings & District Community Enterprises Ltd
PO Box 58, Hastings VIC 3915
Phone: (03) 5979 2075
ABN: 47 129 333 044
www.bendigobank.com.au/hastings

Bendigo Bank

(BMPAR12071) (09/12)