Heidelberg District

Community Enterprise Limited

Financial Statements

as at

30 June 2010

Your Directors submit the financial report of the company for the financial year ended 30 June 2010.

Directors

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

Nancy Louise Caple
Chairman
Independent Non-executive Director
Age: 55
Retailer
Nan has been operating a successful retail business in East Ivanhoe for 20 years. She was heavily involved in the establishment of the East Ivanhoe branch. Nan plays an active role in many aspects of the community.
Sub Committee member: Human Resources (Chair), Business Development.
Interest in shares: 22,077

Graham Peter Norman
Treasurer
Independent Non-executive Director
Age: 68
Chartered Accountant
Graham has practiced as a chartered accountant in Ivanhoe for over 30 years. He has a strong interest in the local communities of Ivanhoe and Heidelberg and is a member of the Rotary Club of Ivanhoe.
Sub Committee member: Audit and Governance
Interest in shares: 33,930

John Kenneth Nelson
Secretary
Independent Non-executive Director
Age: 61
Chartered Accountant
John is a long term resident of Ivanhoe. He has a large amount of experience in finance roles in both private & publ companies. He is committed to supporting community projects and activities.
Sub Committee member: Audit & Governance (Chair), Human Resources.
Interest in shares: 1,150

Evelyn Stagg
Independent Non-executive Director
Director
Age: 60
Teacher
Lyndy holds a senior teaching position at a local school and has considerable experience in the education field.
She
Sub Committee member: Marketing & Sponsorship (Chair),
Interest in shares: 2,800

Alexander Aaron Harris
Independent Non-executive Director
Director
Age: 68
Building Contractor
Andy has been in the domestic building industry for over 40 years. He has been a steering committee member for both East Ivanhoe & Heidelberg branches. He has strong interests in the local community and football club.
Sub Committee member: Business Development.
Interest in shares: 22,077

Paul Anthony Gittings
Independent Non-executive Director
Age: 59
Retired Real Estate Agent
Paul has extensive experience in the Real Estate field, including running his own successful business in this area. He is involved with a number of community groups.
Sub Committee member: Business Development , Marketing & Sponsorship.
Interest in shares: 60,000

Directors *(continued)*

Jennifer Sonia June Christiansen
Independent Non-executive Director
Age: 69
Palliative Care Co-Ordinator
Jen has extensive experience in the field of education in both teaching and research and development roles. Jen passionately believes in the value of volunteers in supporting people through difficult times.
Sub Committee member: Business Development , Marketing & Sponsorship.
Interest in shares: 500

Russell James Hutchins
Independent Non-executive Director
Age: 60
IT Commercial Manager
Russell has extensive experience in the IT industry in a wide variety of roles. He has a particular interest in the support of the disadvantaged members of our community.
Sub Committee member: Audit & Governance
Interest in shares: 13,000

David John Mayne
Independent Non-executive Director
Age: 59
Communication Consultant
David has held management positions within several industries, including engineering, mining and communications.
Sub Committee member: Business Development (Chair)
Interest in shares: 32,000

Brian Thomas Simpson
Independent Non-executive Director
Age: 61
Retired Bank Executive
Brian has had a highly successful career in the banking sector spanning four decades. He has a particular interest in sporting organisations and Rotary.
Sub Committee member: Audit & Governance, Human Resource
Interest in shares: 10,000

Brett Straun Purchase
Independent Non-executive Director *(Appointed 22 February 2010)*
Age: 51
Accountant
Brett is a principal of his own account firm and has been for over 25 year. He is a Certified Practicing Accountant with particular interest in management accounting. He is active in community groups and active in associated projects.
Sub Committee member: Business Development, Audit & Governance
Interest in shares: 2,000

Catherine Richmond
Director *(Resigned 23 August 2010)*
Interest in shares: 2,000

Cameron David Bragg
Director *(Resigned 5 December 2009)*
Interest in shares: 1,150

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 interests in shares in the company are disclosed in Note 20 to the financial statements.

Company Secretary

The company secretary is John Kenneth Nelson. John was appointed to the position of secretary on 1 August 2007. John is a Chartered Accountant and has 35 years experience in industry accounting. He has had extensive corporate secretariat knowledge including previously performing the role as Company Secretary for a public company.

Principal activities

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

Review and Results of Operations

The Company's operating results for the year have been impacted on by the opening a banking branch at 164 Burgundy Street, Heidelberg on the 16th of September 2009. Not only were there costs of a one-off nature, but a new branch takes time to establish and as the Heidelberg Branch revenue growth continues its losses will diminish and the Company will return to profits. The East Ivanhoe Branch continues to operate in line with expectations.

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

Year ended 30 June 2010	Year ended 30 June 2009
$	$
(19,366)	84,834

Dividends

	Year Ended 30 June 2010	
	Cents	$
- Franked dividend	2	45,967

Significant changes in the state of affairs

During previous financial year, the Board identified the prospect of expanding the business by the possible opening of a second Bendigo Community Bank® Branch in Heidelberg. A prospectus was launched in Heidelberg on the 16th of July 2009 and on the 22nd of September 2009 the Company allotted the fully subscribed 1,200,000 shares. The branch opened for business on the 17th of September 2009.

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

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect in future year the operations of the company, the results of those operations or the state of affairs of the company.

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Indemnification and Insurance of Directors and Officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Indemnification of auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been auditor of the company.

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.

Corporate Governance

The Company's Board of Directors and management is committed to supporting the principles of good governance, integrity, protecting shareholding interests and Bendigo & Adelaide Bank Limited's reputation and serving the Heidelberg district community. The Company's corporate governance practices and policies have been developed by taking into account applicable requirements in such things as:

Corporations Act 2001 (Cth)
Bendigo Stock Exchange Listing Rules
Bendigo & Adelaide Bank Limited's Franchise Agreement
Australian Standard AS8000 - Good Corporate Governance

<u>The Board and Board Committees</u>
At the date of this report, the Board consisted of 11 independent non-executive Directors. An independent non-executive Director is a Director that is independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement. Directors are required to attend all board meetings unless prevented by other circumstances. To assist the Board in managing the business and achieving its objective of maintaining the highest standards of corporate governance, the Board delegates certain activities to Board Committees. Each of the Board Committees is composed exclusively of Directors. The Board Committees and their major objectives are:

Audit & Governance Committee :- To ensure the accuracy of the company's financial records and to ensure that the Company complies with its fiduciary responsibilities.
Business Development Committee :- To actively provide business development opportunities for the two branches to promote business growth.
Human Resources Committee :- To monitor and maintain all aspects of Board/staff relations.
Marketing & Sponsorship Committee :- To promote the Company within the community and maximise the effectiveness of the Company's investment into sponsorship and marketing activities.

The Board meets monthly, together with management and Bendigo & Adelaide Bank Limited's regional management, to review the performance of the business, assess its involvement in and support for community activities, review the activities of the Board Committees, monitor compliance with applicable legislation and other obligations, and discuss any other relevant matters. Additional meetings are convened as required to address specific matters. The Board also conducts an annual planning workshop each December to review the Company's strategy and objectives and put in place action plans to achieve these objectives. The Board Committees also meet monthly or every second month to review their respective functions.

Corporate Governance *(continued)*

Appointment and removal of the executive management of the Company is a function of the Board as a whole. Certain powers have been delegated by the Board to executive management to allow the Company to carry on its business in the most efficient manner. These delegated authorities are approved by the Board and include certain financial and non-financial matters. Management provides information to the Board in a concise and timely manner to enable the Board to review the operations of the Company and make informed decisions and discharge its duties. The Board monitors this information with Bendigo Bank at a minimum monthly, or more frequently if required, and requests more information where necessary.

The responsibilities of the Board include:

- Preparing the Company's strategy and objectives
- Reviewing and approving the budgets and business plan prepared by management and Bendigo & Adelaide Bank Limited
- Reviewing the performance of the Company against objective
- Liaising with and reporting to Bendigo & Adelaide Bank Limited
- Ensuring that grants and sponsorship are appropriately managed
- Ensuring the effectiveness of the governance of the Company
- Ensuring the adequacy of the internal controls, procedures and policies of the Company
- Reporting to shareholders and other stakeholders.

The Board has a Code of Conduct and set of policies and procedures to ensure that high ethical and operational standards are maintained by the Board, management and staff of the Company. The Board is also committed to providing its shareholders with appropriate information regarding any matter that may materially affect the operation of the Company or more generally considered by the Board to be in shareholders' best interests. The Company encourages its shareholders to attend and actively participate in the Annual General Meeting and any Extraordinary General Meetings.

Remuneration Report

Remuneration Policy

The remuneration policy of Heidelberg District Community Enterprise Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the board's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

Remuneration Report *(continued)*

Remuneration Structure

All directors are independent non-executive Director and are paid Directors fees as disclosed below.

Non-executive director remuneration policy:

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive Directors is sought to be approved by shareholders as required by the BSX listing rules.

Fees for non-executive Directors are not linked to the performance of the Company.

Performance based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

The Company does not pay performance based remuneration to any Director.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on key performance indicators as disclosed above.

Company performance, shareholder wealth and directors' and executives' remuneration

The following table shows the gross revenue, profits and dividends for the last 5 years for the entity, as well as the share prices at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as consistent returns to shareholders. The improvement in the company's performance over the last 5 years has been reflected in the company's share price with an increase each year, with the exception of 2009 when the share price fell in line with the business valuation and subsequent bonus share issue. The Board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall upwards trend in shareholder wealth over the past 5 years.

	2010	2009	2008	2007	2006
Revenue	1,503,807	1,155,436	1,125,559	925,121	790,995
Net Profit/(Loss)	(19,366)	84,834	194,740	192,202	117,994
Share price at year end	0.80	0.80	1.18	1.17	1.00
Net dividend paid	45,967	-	124,166	47,756	47,756

Remuneration Report *(continued)*

Directors Fees

For the year ended 30 June 2010, the directors received total remuneration including superannuation, as follows:

	$
Nancy Louise Caple	2,500
Graham Peter Norman	2,500
John Kenneth Nelson	2,500
Evelyn Stagg	-
Alexander Aaron Harris	953
Paul Anthony Gittings	1,500
Jennifer Sonia June Christiansen	-
Russell James Hutchins	-
David John Mayne	-
Brian Thomas Simpson	-
Catherine Richmond *(Resigned 23 August 2010)*	1,500
Brett Straun Purchase *(Appointed 22 February 2010)*	-
Cameron David Bragg *(Resigned 5 December 2009)*	-

Fees and payments to directors reflect the demands which are made on and the responsibilities of the directors. Directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of remaining directors.

Key management personnel compensation is disclosed in Note 19 to the financial statements.

Options issued as part of remuneration for the year ended 30 June 2010

No options have been issued as part of remuneration for the year ended 30 June 2010.

Employment Contracts of Directors

There are no employment contracts for Directors.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors Meetings

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

	Board Meetings Attended		Committee Meetings Attended							
			Audit & Governance		Business Development		Marketing & Sponsorship		Human Resource	
	A	B	A	B	A	B	A	B	A	B
Nancy Louise Caple	11	10	-	-	8	8	5	4	10	10
Graham Peter Norman	11	9	6	4	-	-	-	-	-	-
John Kenneth Nelson	11	10	6	6	-	-	-	-	10	9
Evelyn Stagg	11	7	-	-	-	-	9	8	-	-
Alexander Aaron Harris **	7	6	-	-	4	3	-	-	-	-
Paul Anthony Gittings	11	10	-	-	8	6	9	7	-	-
Jennifer Sonia June Christiansen	11	9	-	-	8	3	9	8	-	-
Russell James Hutchins	11	9	6	5	-	-	-	-	-	-
David John Mayne	11	11	-	-	8	7	-	-	-	-
Brian Thomas Simpson	11	8	6	5	-	-	-	-	10	9
Brett Straun Purchase *(Appointed 22 February 2010)*	5	3	-	-	3	3	-	-	-	-
Catherine Richmond *(Resigned 23 August 2010)*	11	8	6	4	-	-	-	-	-	-
Cameron David Bragg *(Resigned 5 December 2009)*	7	3	-	-	-	-	4	-	-	-

** Alexander has been given six months leave of absence (April to October 2010)

A - Eligible to attend
B - Number attended

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors at East Ivanhoe, Victoria on 23 August 2010.

Graham Peter Norman, Director

John Kenneth Nelson, Secretary

McBain
McCartin & Co

Chartered Accountants
Audit & Assurance Services

PO Box 82 Balwyn
Victoria, Australia 3103
ABN 26 028 714 960

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF HEIDELBERG DISTRICT COMMUNITY ENTERPRISE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

1 no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

2 no contraventions of any applicable code of professional conduct in relation to the audit.

McBain McCartin & Co

McBain McCartin & Co
Chartered Accountants

D R McBain

David W McBain (FCA, CPA)
Partner

Dated this 30th day of September 2010

123 Whitehorse Rd
BALWYN VIC 3103

Level 1, 123 Whitehorse Road Balwyn Vic 3103
Phone: +61 3 9817 0700 Facsimile: +61 3 9817 0799 E-mail: office@mcbainmccartin.com.au Web: www.mcbainmccartin.com.au

Heidelberg District Community Enterprise Limited
ABN 62 095 312 744
Statement of Comprehensive Income
for the year ended 30 June 2010

	Notes	2010 $	2009 $
Revenues from ordinary activities	3	1,503,807	1,155,436
Salaries and employee benefits expense		(690,741)	(408,730)
Charitable donations, sponsorship, advertising & promotion		(268,231)	(167,385)
Occupancy and associated costs		(190,155)	(84,020)
Systems costs		(66,597)	(25,873)
Depreciation and amortisation expense	4	(69,025)	(22,121)
Impairment of fixed asset	4	-	(99,647)
Finance costs	4	(37,506)	(52,551)
General administration expenses		(223,230)	(126,318)
Profit/(loss) before income tax (expense)/credit		**(41,678)**	**168,791**
Income tax (expense)/credit	5	22,312	(83,957)
Profit/(loss) after income tax (expense)/credit		(19,366)	84,834
Total comprehensive income for the year		**(19,366)**	**84,834**
Earnings per share (cents per share)		c	c
- basic earnings per share	23	(0.96)	16.98
- diluted earnings per share	23	(0.96)	16.98
- dividends per share	22	2	13

The accompanying notes form part of these financial statements

Heidelberg District Community Enterprise Limited
ABN 62 095 312 744
Balance Sheet
as at 30 June 2010

	Notes	2010 $	2009 $
ASSETS			
Current Assets			
Cash assets	6	1,051,594	342,311
Current tax assets	7	22,374	4,183
Trade and other receivables	8	123,258	120,443
Total Current Assets		**1,197,226**	**466,937**
Non-Current Assets			
Property, plant and equipment	9	1,331,724	1,069,699
Intangible assets	10	68,500	3,833
Deferred tax assets	11	37,605	15,293
Total Non-Current Assets		**1,437,829**	**1,088,825**
Total Assets		**2,635,055**	**1,555,762**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	38,189	84,172
Borrowings	13	29,123	28,684
Provisions	14	61,563	45,355
Total Current Liabilities		**128,875**	**158,211**
Non-Current Liabilities			
Borrowings	13	546,081	574,784
Provisions	14	9,827	7,162
Total Non-Current Liabilities		**555,908**	**581,946**
Total Liabilities		**684,783**	**740,157**
Net Assets		**1,950,272**	**815,605**
Equity			
Contributed equity	15	1,641,165	441,165
Retained earnings	16	309,107	374,440
Total Equity		**1,950,272**	**815,605**

Heidelberg District Community Enterprise Limited
ABN 62 095 312 744
Statement of Changes in Equity
for the year ended 30 June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	473,010	289,606	762,616
Total comprehensive income for the year	-	84,834	84,834
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(31,845)	-	(31,845)
Dividends provided for or paid	-	-	-
Balance at 30 June 2009	441,165	374,440	815,605
Balance at 1 July 2009	441,165	374,440	815,605
Total comprehensive income for the year	-	(19,366)	(19,366)
Transactions with owners in their capacity as owners:			
Shares issued during period	1,200,000	-	1,200,000
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(45,967)	(45,967)
Balance at 30 June 2010	1,641,165	309,107	1,950,272

Heidelberg District Community Enterprise Limited
ABN 62 095 312 744
Statement of Cashflows
for the year ended 30 June 2010

	Notes	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		1,452,553	1,249,387
Payments to suppliers and employees		(1,414,217)	(888,249)
Interest expense		(37,506)	(52,551)
Interest received		34,975	15,695
Income taxes paid		(40,869)	(90,502)
Net cash provided by/(used in) operating activities	17	(5,064)	233,780
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(315,717)	(1,584)
Payments for intangible assets		(80,000)	-
Net cash used in investing activities		(395,717)	(1,584)
Cash Flows From Financing Activities			
Repayment of borrowings		(28,264)	(6,532)
Proceeds from issues of shares		1,200,000	-
Payment for share issue costs		(15,705)	(16,140)
Dividends paid		(45,967)	(62,083)
Net cash provided by/(used in) financing activities		1,110,064	(84,755)
Net increase in cash held		709,283	147,441
Cash at the beginning of the financial year		342,311	194,870
Cash at the end of the financial year	6(a)	1,051,594	342,311

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

The financial report covers Heidelberg District Community Enterprise Limited as an individual entity. Heidelberg District Community Enterprise Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report is presented in Australian dollars. Both the functional and presentation currency is Australian dollars ($).

Heidelberg District Community Enterprise Limited shares are publicly traded on the Bendigo Stock Exchange.

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

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 for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

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

Income tax

<u>Current tax</u>

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

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those

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

Intangibles

The cost of the company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

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

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

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

Impairment of Assets

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

1. Summary of significant accounting policies (continued)

Impairment of Assets *(continued)*

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Property, plant and equipment

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

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

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, based on periodic valuations by external valuers, less subsequent depreciation for buildings.

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

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

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade Receivables and Payables

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

Borrowings

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

1. Summary of significant accounting policies (continued)

Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the assets.

Classification and Subsequent Measurement

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

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

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

Impairment

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

Leases

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

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

Provisions

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

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

Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds

Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

1. Summary of significant accounting policies (continued)

Authorised for Issue

The financial report was authorised for issue on 23 August 2010 by the Board of Directors.

Adoption of New and Revised Accounting Standards

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

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

AASB 101: Presentation of Financial Statements

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

Disclosure impact

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

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

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

The company financial statements now contain a statement of comprehensive income.

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

New Accounting Standards for Application in Future Periods

The Australian Accounting Standards Board has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods. the company has decided against early adoption

AASB 9: Financial instruments and AASB 200911: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 &12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. the company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirement include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirement for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets; and
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost.

AASB 20094: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136, 139] (applicable for annual reporting periods commencing from 1 January 2010).

New Accounting Standards for Application in Future Periods *(continued)*

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASBs annual improvements project. No changes are expected to materially affect the company.

AASB 200912: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of Interpretational Financial Reporting Standards by the IASB.

The company does not anticipate the early adoption of any of the above Australian Accounting Standards.

2. Capital Management

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

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

(i) the Distribution Limit is the greater of:
- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Income Statement.

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

3. Revenue from ordinary activities	**2010** $	**2009** $
Operating activities:		
- services commissions	1,424,338	1,104,557
- other revenue	386	-
Total revenue from operating activities	1,424,724	1,104,557
Non-operating activities:		
- interest received	38,280	13,371
- rental revenue	40,803	37,508
Total revenue from non-operating activities	79,083	50,879
Total revenues from ordinary activities	1,503,807	1,155,436

4. Expenses

	Note	2010 $	2009 $
Depreciation of non-current assets:			
- plant and equipment		21,662	10,771
- capital works deduction		32,030	9,350
Amortisation of non-current assets:			
- franchise agreement		15,333	2,000
		69,025	22,121
Rental expense on operating leases - minimum lease payments		150,003	65,724
Impairment of fixed assets (from revaluation of land and buildings)		-	99,647
Finance costs:			
- interest paid		37,506	52,551
Bad debts		6,060	1

5. Income tax expense

	Note	2010 $	2009 $
(a) The component of tax expense comprise:			
Current tax		-	88,657
Deferred tax	11	(4,671)	(4,700)
Deferred tax asset on tax losses	11	(17,641)	-
		(22,312)	83,957
(b) The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows:			
Operating profit		(41,678)	168,791
Prima facie tax on profit from ordinary activities at 30% (2009: 30%)		(12,503)	50,637
Add tax effect of:			
- non-deductible expenses		4,600	600
- timing difference expenses (impairment)		-	29,895
- investment deduction		(12,497)	(238)
- other deductible expenses		(1,911)	-
- other timing differences		4,670	7,763
Income tax expense on operating profit		(17,641)	88,657
Movement in deferred tax	11	(4,671)	(4,700)
Under/(Over) provision of income tax in the prior year		-	-
		(22,312)	83,957

6. Cash assets

	2010 $	2009 $
Cash at bank and on hand	271,344	164,900
Term Deposits	780,250	177,411
	1,051,594	342,311

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) *Reconciliation of cash*

	2010 $	2009 $
Cash at bank and on hand	271,344	164,900
Term deposit	780,250	177,411
	1,051,594	342,311

7. Current tax assets

	2010 $	2009 $
Current tax refundable	22,374	4,183

8. Trade and other receivables	2010 $	2009 $
Trade receivables	106,147	98,215
Sundry debtors & prepaid expenses	17,111	22,228
	123,258	120,443

(i) Provision for Impairment of Receivables

Current trade receivables are generally on 30-day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.

There is no provision for impairment of trade or other receivables during the financial year (2009: Nil).

(ii) Credit Risk — Trade and Other Receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables. It has policies in place to ensure that customers have an appropriate credit history. However, the company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited which is deemed to be of sound credit worthiness.

Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

All amounts due from trade and other receivables are within initial trade terms and are considered to be of high credit quality.

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be

9. Property, plant and equipment

	2010 $	2009 $
Plant and equipment		
At cost	216,641	180,006
Less accumulated depreciation	(131,969)	(110,307)
	84,672	69,699
Leasehold Improvements		
At cost	279,082	-
Less accumulated depreciation	(13,356)	-
	265,726	-
Land & buildings		
Land - at cost	361,000	361,000
Buildings - at cost	747,997	747,997
Less: accumulated amortisation	(28,024)	(9,350)
Less: impairment *(Director valuation)*	(99,647)	(99,647)
	981,326	1,000,000
Total written down amount	1,331,724	1,069,699

9. Property, plant and equipment *(continued)*

Movements in carrying amounts:	**2010** $	**2009** $
Plant and equipment		
Carrying amount at beginning	69,699	78,886
Additions	36,635	1,584
Disposals	-	-
Less: depreciation expense	(21,662)	(10,771)
Carrying amount at end	84,672	69,699
Leasehold Improvements		
Carrying amount at beginning	-	-
Additions	279,082	-
Disposals	-	-
Less: depreciation expense	(13,356)	-
Carrying amount at end	265,726	-
Land & buildings		
Carrying amount at beginning	1,000,000	-
Additions	-	1,108,997
Disposals	-	-
Less: accumulated amortisation	(18,674)	(9,350)
Less: impairment *(Director valuation)*	-	(99,647)
Carrying amount at end	981,326	1,000,000
Total written down amount	1,331,724	1,069,699

As a result of the market conditions encountered during the 2008/2009 financial year the Directors considered the effect of impairment on property, comprising land and building.

The Directors obtained an "Opinion of Market Worth" from an independent real estate agent, Miles Real Estate to assist in determining the impact of impairment on the land and building. Miles Real Estate, in their report dated 16 March 2009, indicated an estimated market worth ranging between $920,000 to $990,000. The Directors resolved to value the land and building at $950,000 approximating the mid point of the market worth as at 31 December 2008. The Board subsequently asked for another "Opinion of Market Worth" as at 30 June 2009 from Miles Real Estate and their report indicated an estimated market worth ranging between $920,000 and $1,020,000. At year ending 30 June 2009 the Board resolved to value the land and building at $1,000,000. The Land has been valued at $361,000 using the value per the 2009 Council Rates evaluation.

10. Intangible assets

	2010 $	**2009** $
Franchise Fee - East Ivanhoe		
At cost	10,000	10,000
Less: accumulated amortisation	(8,167)	(6,167)
	1,833	3,833
Franchise Fee - Heidelberg		
At cost	10,000	-
Less: accumulated amortisation	(1,667)	-
	8,333	-
Establishment Fee - Heidelberg		
At cost	70,000	-
Less: accumulated amortisation	(11,666)	-
	58,334	-
	68,500	3,833

11. Deferred Tax

Opening balance	15,293	10,593
Recognition of provisions *(see Note 5)*	4,671	4,700
Future income tax benefit *(see Note 5)*	17,641	-
Closing balance	37,605	15,293

12. Trade and other payables

Trade Creditors	31,486	77,656
Other creditors & accruals	6,703	6,516
	38,189	84,172

Trade and other payables are classified as financial liabilities at amortised cost.

13. Borrowings

	2010 $	2009 $
Current:		
Mortgage loan	29,123	28,684
Non-current:		
Mortgage loan	546,081	574,784

Bank mortgage loans are repayable monthly with the final instalment due on 28 April 2023. Interest is recognised at an average rate of 6.4%. The variable mortgage loan is secured over the premises and was interest only for the first twelve months (ending 28 April 2009).

14. Provisions

Current:		
Provision for annual leave	24,623	21,312
Provision for long service leave	31,209	24,043
Provision for sick leave	5,731	-
	61,563	45,355
Non-current:		
Provision for long service leave	9,827	7,162
Number of employees at year end	11.2	6.5

15. Contributed equity

Share Issue - 2001 (East Ivanhoe)		
1,098,386 Ordinary shares (2009: 1,098,386)	473,010	473,010

A bonus share issue on a 1.3:1 basis (620,826 shares) was issued to all existing shareholders on 17 June 2009.

Share Issue - 2009 (Heidelberg)		
1,200,000 Ordinary shares (2009: Nil)	1,200,000	-
Less preliminary share issue expenses	(31,845)	(31,845)
	1,168,155	(31,845)
Total Share Capital	1,641,165	441,165

The Company via a Prospectus raised capital for funds to open a second branch at Heidelberg. 1,200,000 Shares were allotted on 22 September 2009.

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank® have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

15. Contributed equity *(continued)*

Rights attached to shares *(continued)*

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 206. As at the date of this report, the company had 443 shareholders.

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

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

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

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

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

Winding up

If the Company is wound up shareholders will be entitled to participate in any surplus assets of the Company in proportion to the capital paid up on their shares when the winding up begins.

If the surplus assets available for distribution amongst shareholders are insufficient to repay the whole of the paid up capital, then those assets will be distributed in proportion to the capital paid up on shares when the winding up begins.

Notwithstanding the above, if the Company is would up, the liquidator has the discretion to divide among all or any of the shareholders in specie or in kind any part of the Company's assets. The division of the Company's assets may be carried out as the liquidator thinks fit, subject to the right of any shareholders prejudiced by the division to dissent. Any dissenting shareholder has ancillary rights as if the determination made by the liquidator were a special resolution passed under the Corporation Act relating to the transfer of the Company's assets by a liquidator in a voluntary winding up.

16. Retained earnings	**2010** **$**	**2009** **$**
Balance at the beginning of the financial year	374,440	289,606
Net profit/(loss) from ordinary activities after income tax	(19,366)	84,834
Dividends	(45,967)	-
Balance at the end of the financial year	309,107	374,440

17. Statement of cashflows

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

	2010 $	2009 $
Profit/(Loss) from ordinary activities after income tax	(19,366)	84,834
Non cash items:		
- depreciation	53,692	20,121
- amortisation	15,333	2,000
- impairment of fixed asset	-	99,647
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(2,815)	1,992
- increase in tax asset	(40,503)	(4,700)
- increase/(decrease) in payables	(30,278)	12,682
-increase in provisions	18,873	17,204
Net cashflows provided by/(used in) operating activities	(5,064)	233,780

18. Auditors' remuneration

	2010 $	2009 $
Amounts received or due and receivable by the auditor of the company for:		
- audit & review services	13,673	13,000
- non audit services	-	-
	13,673	13,000

19. Key management personnel compensation

	2010 $	2009 $
Branch Manager		
Short Term Benefits		
Salary and fees	102,944	92,900
Post Employment Benefits		
Superannuation	9,264	8,359
Total Compensation	112,208	101,259

20. Director and Related party disclosures

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

Nancy Louise Caple

Graham Peter Norman

John Kenneth Nelson

Evelyn Stagg

Alexander Aaron Harris

Paul Anthony Gittings

Jennifer Sonia June Christiansen

Russell James Hutchins

David John Mayne

Brian Thomas Simpson

Catherine Richmond *(Resigned 23 August 2010)*

Brett Straun Purchase *(Appointed 22 February 2010)*

Cameron David Bragg *(Resigned 5 December 2009)*

No director or related entity has entered into a material contract with the company.

20. Director and Related party disclosures *(continued)*

Directors shareholdings	2010	2009
Nancy Louise Caple	22,077	12,077
Graham Peter Norman	35,927	35,927
John Kenneth Nelson	1,150	1,150
Evelyn Stagg	2,800	2,300
Alexander Aaron Harris	22,077	12,077
Paul Anthony Gittings	60,000	-
Jennifer Sonia June Christiansen	500	-
Russell James Hutchins	13,000	-
David John Mayne	32,000	-
Brian Thomas Simpson	10,000	-
Catherine Richmond *(Resigned 23 August 2010)*	2,000	-
Brett Straun Purchase *(Appointed 22 February 2010)*	-	-
Cameron David Bragg *(Resigned 5 December 2009)*	1,150	1,150

21. Capital and leasing commitments

		2010 $	2009 $
a.	***Operating Lease Commitments***		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements		
	Payable - minimum lease payments		
	not later than 12 months	161,623	67,456
	between 12 months and five years	357,500	51,623
		519,123	119,079

b. ***Capital Expenditure Commitments***

There were no capital commitments as at 30 June 2010.

22. Dividends paid or provided

		2010 $	2009 $
a.	***Dividends paid during the year***		
	Prior year proposed final		
	100% (2009: 100%) franked dividend - 2 cents (2009: 13 cents) per share	45,967	62,083
b.	***Dividends proposed and not recognised as a liability***		
	Nil% (2009: Nil%) franked dividend - Nil cents (2009: Nil cents) per share	-	-
c.	***Dividends proposed and recognised as a liability***		
	Nil% (2009: 100%) franked dividend - Nil cents (2009: 13 cents) per share	-	-

The tax rate at which dividends have been franked is 30% (2009: 30%).

d.	***Franking credit balance***		
	Balance of franking account at year end adjusted for franking credits arising from:		
	- payment of provision for income tax	270,643	249,474
	Subsequent to year-end, the franking account would be reduced by the proposed dividend reflected per (c) as follows:	-	-
		270,643	249,474

23. Earnings per share

(a) Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(19,366)	84,834
	2010 **Number**	**2009** **Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,022,224	499,672

24. Events occurring after the balance sheet date

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

25. Contingent liabilities

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

26. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited. The economic entity operates in one geographic area being the East Ivanhoe and Heidelberg suburbs of Melbourne, Victoria.

27. Registered office/Principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
235 Lower Heidelberg Road Ivanhoe East VIC 3079	235 Lower Heidelberg Road Ivanhoe East VIC 3079

28. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable and bank borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	2010	2009
	$	$
Financial assets		
Cash and cash equivalents	1,051,594	342,311
Trade and other receivables	123,258	120,443
	1,174,852	462,754
Financial liabilities		
Financial liabilities at amortised cost:		
- trade and other payables	38,189	84,172
- borrowings	575,204	603,468
	613,393	687,640

Financial Risk Management Policies

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not have any derivative instruments at 30 June 2010 (2009: Nil).

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments market risk (including fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

a. *Credit Risk*

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited which is deemed to be of sound credit worthiness.

The maximum exposure to credit risk by class of recognised financial assets at balance date is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the balance sheet.

The company has has a significant concentration of credit risk with a single counterparty or company of counterparties being Bendigo and Adelaide Bank Limited, as stipulated in the company's franchise agreement.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 8.

28. Financial Risk Management *(continued)*

b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;

- monitoring undrawn credit facilities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will roll forward.

	Within 1 year		1 to 5 years		over 5 years		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment								
Bank Loans	29,123	28,684	260,380	260,400	285,701	285,700	575,204	574,784
Trade and other payables	38,189	84,172	-	-	-	-	38,189	84,172
Total expected outflows	67,312	112,856	260,380	260,400	285,701	285,700	613,393	658,956
Financial assets — cash flows realisable								
Cash and cash equivalents	1,051,594	342,311	-	-	-	-	1,051,594	342,311
Trade and other receivables	123,258	120,443	-	-	-	-	123,258	120,443
Total anticipated inflows	1,174,852	462,754	-	-	-	-	1,174,852	462,754
Net (outflow)/inflow on financial instruments	1,107,540	349,898	(260,380)	(260,400)	(285,701)	(285,700)	561,459	(196,202)

Financial assets pledged as collateral

Land and buildings have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts.

28. Financial Risk Management *(continued)*

c. Market Risk

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments.

At 30 June 2010 approximately 100% of company debt is floating.

The net effective variable interest rate borrowings (ie unhedged debt) exposes the company to interest rate risk which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	Entity	
	2010	**2009**
	$	**$**
Floating rate		
Bank loans	575,204	603,468

Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

ii.Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Parent Entity	
	2010	**2009**
+/- 2% in interest rates	**$**	**$**
Profit	+/-11,500	+/-12,000
Equity	+/-11,500	+/-12,000

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which

Net fair value of assets and liabilities approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the Notes to the financial statements.

Heidelberg District Community Enterprise Limited
ABN 62 095 312 744
Directors' Declaration

In accordance with a resolution of the directors of Heidelberg District Community Enterprise Limited, we state that:

In the opinion of the directors:

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

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) the financial statements and notes also also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Graham Peter Norman, Director

John Kenneth Nelson, Secretary

Signed on the 23rd of August 2010.

McBain
McCartin & Co

Chartered Accountants
Audit & Assurance Services

PO Box 82 Balwyn
Victoria, Australia 3103

ABN 26 028 714 960

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
HEIDELBERG DISTRICT COMMUNITY ENTERPRISE LIMITED

ACN 095 312 744

Report on the financial report

We have audited the accompanying financial report of Heidleberg District Community Enterprise Limited, which comprises the balance sheet as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 and the Directors Declaration, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Heidleberg District Community Enterprise Limited, would be in the same terms if provided to the directors as at the date of this auditor's report.

Level 1, 123 Whitehorse Road Balwyn Vic 3103
Phone: +61 3 9817 0700 Facsimile: +61 3 9817 0799 E-mail: office@mcbainmccartin.com.au Web: www.mcbainmccartin.com.au

Auditor's Opinion
In our opinion,

a. the financial report of Heidleberg District 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 2010 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report
We have audited the Remuneration Report included in page 5 of the report of the directors for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditors Opinion
In our opinion the Remuneration Report of Heidleberg District Community Enterprise Limited for the year ended 30 June 2010, complies with s 300A of the *Corporation Act 2001*.

McBain McCartin & Co

McBain McCartin & Co
Chartered Accountants

David W McBain (FCA, CPA)
Partner

Dated this 30th day of September 2010

123 Whitehorse Rd
BALWYN VIC 3103