



annual report **2012**

Lakeside Pakenham Community
Enterprise Limited

ABN 68 140 931 960

Contents

Chairman's report	2
Manager's report	3
Directors' report	4
Auditor's independence declaration	9
Financial statements	10
Notes to the financial statements	14
Directors' declaration	32
Independent audit report	33

Chairman's report

For year ending 30 June 2012

With great pleasure, I commend the third Chairman's report on behalf of the Board of Lakeside Pakenham **Community Bank**[®] Branch in Lakeside Boulevard Pakenham was officially opened more than two years ago on 4 August 2012. Since the branch opening we have been focusing on building awareness of the branch and telling the community how our banking franchise mode works and informing people on how "my banking helps my community".

The model involves shareholders investing funds to open a **Community Bank**[®] branch. The banking licence, operations and policies are controlled and administered by Bendigo and Adelaide Bank. Revenue is split between Bendigo and Adelaide Bank and the franchisee. The franchisee covers all overhead to establish the branch and its daily running expenses. When the franchise becomes profitable, around 20% of the profits will be available to develop the business or pay our dividends. This leaves 80% of the profits that can be re-invested into the community as sponsorships and grants.

Ultimately, if you can change your banking across to Lakeside Pakenham **Community Bank**[®] Branch you will be supporting your community. You can bank with confidence that your privacy is paramount. Directors of Lakeside Pakenham Community Enterprise Limited are volunteers and will not be made aware of your banking situation. Only branch staff under the direction of Bendigo and Adelaide Bank will deal with your banking needs.

This business is expected to be one of the major financial contributors to this district within the next 10 years. There are a number of other well established **Community Bank**[®] branches that have been open more than 10 years that have put back more than \$1 million into their community.

In order to help people understand how we make profits an explanation on some of our revenue streams is listed below.

Gross Margin	Funds lent out (eg To home buyers, personal loans, overdrafts ect) Less funds on deposits (eg savings accounts, some term deposits)
Upfront Product Commission	Insurance policies
Trailer Product Commission	The following products earn the branch a trailer commission: Some consumer and business loans, some term deposits, some Sandhurst Trustees products, financial planning ect)
Fee Income	Predominantly fees you may pay to use banking services and also includes ATM fees from most non Bendigo bank customers.
Market Development Fund	An allowance that Bendigo and Adelaide Bank provide to be allocated to sponsorship to assist with establishing the brand.

As at 30 June 2012 Lakeside Pakenham **Community Bank**[®] Branch our shareholders and customers have established us to sponsor more than \$50,000 of projects in the district.

Thank you to our shareholders for your ongoing support in firstly helping get the branch established and secondly to spread the message about how our **Community Bank**[®] branch can help your community.



Bernard F Wilson
Chairman

Manager's report

For year ending 30 June 2012

After our second year of trading it is very pleasing once again to report we are ahead of budget forecasts with total of deposits and loans on the books totalling over \$55 million. We are now managing over 1,190 accounts on behalf of our customers and community groups, this has increase from last year's figure of 750 accounts. This is a great show of continued support from local people and their families, community groups and business people in the Pakenham district.

Much of our success can be contributed to my team of dedicated and hardworking staff – special thanks go to Veena Mannix and my Customer Service Officers – Michelle Owen (who has since moved on and up through the Bendigo Bank network), Lynne Broberg and Nicole Kreun. In addition we have the specialised services of our Business Banker – Richard Perry and our Financial Planner – Ritesh Prasad, if you still haven't had the opportunity to meet with them please talk to us so we can arrange a meeting with either of them.

Another driving force contributing to our success is our Chairman – Bernie Wilson and our hardworking Directors. Many thanks go to them for their dedication – tireless hours attending meetings, preparing reports and being available to attend meetings with our community groups to ensure the next round of community outcomes.

Some of the community groups we have been able to assist this financial year include:-

- Outlook Vic Inc
- Oz Child Australia
- Pakenham Bowls Club
- Nar Nar Goon Football Club
- Pakenham Carols by Candle light
- Pakenham Jnr & Snr Football Club's
- Special Olympics Victoria

To help us keep on supporting these wonderful community groups and others which are growing all the time as our district expands, we ask that each one of you support us with your personal and banking business.

A reminder that "A change for the better" is what your **Community Bank**[®] branch is all about and we pride ourselves on being "Customer Connected" – listening and being able to deliver financial products especially designed for every individual and business need. If you haven't already please take that step and come and see us at your branch.



Jen Saunders
Branch Manager

Directors' report

For the financial year ended 30 June 2012

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

Directors

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

Bernard Francis Wilson

Chairman

Age: 70

Occupation: Retired

Experience and expertise:

Sales and Marketing Manager for a business selling merchandise/goods into the Asia/Pacific region.

Special responsibilities:

Chairperson, Sub-committees; Marketing & Media

Interest in shares: 1,001

David Andrew Impey

Director

Age: 43

Occupation: Company Director & Business Consultant

Experience and expertise:

Senior Manager in 'not for profit' sector. Over 11 years in marketing and strategic business services.

Special responsibilities:

Sub-committees; Audit, Marketing &

Sponsorship

Interest in shares: 10,001

Justin Andre Haakman

Director

Age: 37

Occupation: Company Director

Experience and expertise:

Associate Diploma in Business Marketing. A sales consultant for 8 years in the computer and power regulation industry. Current director of an investment company.

Sub-committees; Business Development

Interest in shares: 68,500

Terrence John Williams

Director

Age: 64

Occupation: Property Valuer

Experience and expertise:

Over 40 years experience as a valuer. Member of West Gippsland Rotary Club of Pakenham.

Special responsibilities:

Sub-committees; Business Development

Interest in shares: Nil

Damien Marcus Haakman

Director

Age: 31

Occupation: Company Director

Experience and expertise:

Bachelor Degree of Business Commerce with a major in marketing at Monash University Berwick. Currently working for a private equity company for past 8 years. Strong business and social connections within Pakenham.

Sub-committees; Chair of Marketing.

Interest in shares: 68,500

Peter Damien Bateman

Director/Treasurer (Appointed 5 December 2011)

Age: 33

Occupation: Chartered Accountant

Experience and expertise:

Bachelor Degree of Business (Accountancy) at RMIT
Diploma of Chartered Accounting - ICAA
Currently employed as a public accountant.

Sub-committees; Audit & Assistant Secretary

Interests in shares: Nil

Directors' report (continued)

Directors (continued)

Geoffrey Thomas Murphy

Director (Resigned 30 November 2011)

Age: 44

Occupation: Investment Accountant

Experience and expertise:

A Certified Practising Accountant with over 20 years experience within a range of large public companies and small business. A local of Pakenham and the Pakenham district.

Interest in shares: 10,001

Peter Neil McLaren

Director (Resigned 7 November 2011)

Age: 76

Occupation: Retired

Experience and expertise:

Refrigeration & Air-conditioning Engineer and involved with various community groups in the region.

Special responsibilities:

Interest in shares: 1

Marlene Lynne Jones

Director (Resigned 11 June 2012)

Age: 34

Occupation: Business Owner

Experience and expertise:

Manages her business interests and has been a CFA member for over 20 years.

Special responsibilities:

Sub-committees; Marketing

Interest in shares: 2,502

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

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

Company Secretary

The company secretary is Alexander Sy. Alex was appointed to the position of secretary upon incorporation on 3 December 2009 and is the owner of AI's Asian/Filipino Groceries situated at Pakenham. He has acquired experience in all areas of finance and business administration with various small, medium and corporate organisations within various services industries.

Principal Activities

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

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

Operating Results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
	(92,771)	(110,202)

Directors' report (continued)

Remuneration Report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Branch Manager

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

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

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

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

Dividends

No dividends were declared or paid for the previous year and 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 or the financial statements.

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 to the financial statements. 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.

Directors' report (continued)

Indemnification and Insurance of Directors' and Officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' Meetings

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

	Board Meetings Attended	
	Eligible	Attended
Bernard Francis Wilson	13	10
David Andrew Impey	13	12
Justin Andre Haakman	13	13
Terrence John Williams	13	10
Damien Marcus Haakman	13	12
Peter Damien Bateman (Appointed 5 December 2011)	11	10
Geoffrey Thomas Murphy (Resigned 30 November 2011)	13	5
Peter Neil McLaren (Resigned 7 November 2011)	13	4
Marlene Lynne Jones (Resigned 11 June 2012)	13	8

The Board has six sub-committees, HR/Property & OHS, Marketing & Sponsorship, Policy, Audit & Risk, Business Development and Finance. All sub-committees have elected Directors who meet on a regular, or as needs, basis and present reports/recommendations to the monthly Board meetings where required.

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Directors' report (continued)

Non Audit Services (continued)

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Pakenham, Victoria on 7 September 2012.



**Bernard Francis Wilson,
Chairman**

Auditor's independence declaration



Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Lakeside Pakenham Community Enterprises Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

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

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

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

Dated: 7 September 2012

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

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	447,847	387,548
Employee benefits expense		(286,857)	(270,191)
Charitable donations, sponsorship, advertising and promotion		(63,835)	(33,558)
Occupancy and associated costs		(59,227)	(58,264)
Systems costs		(36,729)	(29,967)
Depreciation and amortisation expense	5	(37,985)	(41,168)
Finance costs	5	(10)	(5)
General administration expenses		(89,722)	(105,694)
Loss before income tax credit		(126,518)	(151,299)
Income tax credit	6	33,747	41,097
Loss after income tax credit		(92,771)	(110,202)
Total comprehensive income for the year		(92,771)	(110,202)
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	(13.97)	(16.59)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	115,108	202,478
Trade and other receivables	8	36,825	22,561
Total Current Assets		151,933	225,039
Non-Current Assets			
Property, plant and equipment	9	186,515	202,500
Intangible assets	10	66,000	88,000
Deferred tax assets	11	80,138	46,391
Total Non-Current Assets		332,653	336,891
Total Assets		484,586	561,930
LIABILITIES			
Current Liabilities			
Trade and other payables	12	24,843	15,730
Provisions	13	12,059	12,884
Total Current Liabilities		36,902	28,614
Non-Current Liabilities			
Provisions	14	7,139	-
Total Non-Current Liabilities		7,139	-
Total Liabilities		44,041	28,614
Net Assets		440,545	533,316
Equity			
Issued capital	14	647,898	647,898
Accumulated losses	15	(207,353)	(114,582)
Total Equity		440,545	533,316

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2010	566,498	(4,380)	562,118
Total comprehensive income for the year	-	(110,202)	(110,202)
Transactions with owners in their capacity as owners:			
Shares issued during period	81,400	-	81,400
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	647,898	(114,582)	533,316
Balance at 1 July 2011	647,898	(114,582)	533,316
Total comprehensive income for the year	-	(92,771)	(92,771)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	647,898	(207,353)	440,545

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		468,880	307,049
Donations and Grants received		-	100,000
Payments to suppliers and employees		(562,803)	(905,726)
Interest received		6,563	6,448
Interest paid		(10)	(5)
Net cash used in operating activities	16	(87,370)	(492,234)
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(12,852)
Refund from overpayment of fitout costs		-	13,911
Net cash provided by investing activities		-	1,059
Cash Flows From Financing Activities			
Proceeds from issues of shares		-	81,400
Net cash provided by financing activities		-	81,400
Net decrease in cash held		(87,370)	(409,775)
Cash and cash equivalents at the beginning of the financial year		202,478	612,253
Cash and cash equivalents at the end of the financial year	7(a)	115,108	202,478

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Lakeside Pakenham, Victoria.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

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

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

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

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

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

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

	2012 \$	2011 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	441,487	281,100
- other revenue (Delfin Lend Lease) #	-	100,000
- other revenue (other)	305	-
Total revenue from operating activities	441,792	381,100
Non-operating activities:		
- interest received	6,055	6,448
Total revenue from non-operating activities	6,055	6,448
Total revenues from ordinary activities	447,847	387,548

Notes to the financial statements (continued)

Note 4. Revenue from Ordinary Activities (continued)

The Company has entered into a Deed of Arrangement - Provision of Sponsorship Moneys with Delfin Lend Lease Ltd. Delfin has paid a sponsorship sum to the Company, to assist the Company in the establishment and operation of the Branch subject to conditions set out in the Deed. Part of the Deed is that Delfin can identify itself as a sponsor of the **Community Bank®** Company and be entitled to co-branding recognition. The agreement is for Delfin and Lakeside Pakenham Community Enterprises Limited to support community projects that foster and develop community spirit and connections for Lakeside, this would be done with financial support for community projects.

	2012 \$	2011 \$
Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	5,832	9,989
- leasehold improvements	10,153	9,179
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- franchise renewal fee	20,000	20,000
	37,985	41,168
Finance costs:		
- interest paid	10	5
Bad debts	2,745	1,113

Note 6. Income Tax Credit

The components of tax expense comprise:

- Current tax	-	-
- Future income tax benefit attributed to losses	(31,700)	(37,237)
- Movement in deferred tax	(2,047)	(3,860)
	(33,747)	(41,097)

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

Operating loss	(126,518)	(151,299)
Prima facie tax on loss from ordinary activities at 30%	(37,955)	(45,388)

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 6. Income Tax Credit (continued)			
Add tax effect of:			
- non-deductible expenses		6,600	6,683
- timing difference expenses		2,047	3,860
- other deductible expenses		(2,392)	(2,392)
		(31,700)	(37,237)
Movement in deferred tax	11	(2,047)	(3,860)
		(33,747)	(41,097)

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		45,108	52,478
Term deposits		70,000	150,000
		115,108	202,478

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

Note 7(a) Reconciliation of cash

Cash at bank and on hand		45,108	52,478
Term deposits		70,000	150,000
		115,108	202,478

Note 8. Trade and Other Receivables

Trade receivables		28,768	14,552
Other receivables and accruals		478	986
Prepayments		7,579	7,023
		36,825	22,561

Note 9. Property, Plant and Equipment

Plant and equipment

At cost		30,978	30,978
Less accumulated depreciation		(15,821)	(9,989)
		15,157	20,989

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
Leasehold improvements		
At cost	190,690	190,690
Less accumulated depreciation	(19,332)	(9,179)
	171,358	181,511
Total written down amount	186,515	202,500
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	20,989	-
Reclassification of assets	-	30,978
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,832)	(9,989)
Carrying amount at end	15,157	20,989
Leasehold improvements		
Carrying amount at beginning	181,511	222,727
Reclassification of assets	-	(35,512)
Additions	-	3,475
Disposals	-	-
Less: depreciation expense	(10,153)	(9,179)
Carrying amount at end	171,358	181,511
Total written down amount	186,515	202,500

Note 10. Intangible Assets

Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,000)	(2,000)
	6,000	8,000
Establishment processing fee		
At cost	100,000	100,000
Less: accumulated amortisation	(40,000)	(20,000)
	60,000	80,000
Total written down amount	66,000	88,000

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 11. Tax		
Deferred tax assets		
- employee provisions	5,759	3,865
- tax losses carried forward	74,522	42,822
	80,281	46,687
Deferred tax liability		
- accruals	143	296
	143	296
Net deferred tax asset	80,138	46,391
Movement in deferred tax charged to statement of comprehensive income	(2,047)	(3,860)

Note 12. Trade and Other Payables

Trade creditors	6,406	4,012
Other creditors and accruals	18,437	11,718
	24,843	15,730

Note 13. Provisions

Current:

Provision for annual leave	12,059	12,884
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Non-Current:

Provision for long service leave	7,139	-
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Number of employees at year end	3	4
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Note 14. Contributed Equity

687,759 Ordinary shares fully paid (2011: 687,759)	687,759	687,759
Less: equity raising expenses	(39,861)	(39,861)
	647,898	647,898

Notes to the financial statements (continued)

Note 14. Contributed Equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 227. As at the date of this report, the company had 251 shareholders.

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

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

Notes to the financial statements (continued)

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

The National Stock Exchange (NSX) 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 NSX.

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

	2012 \$	2011 \$
Note 15. Accumulated Losses		
Balance at the beginning of the financial year	(114,582)	(4,380)
Net loss from ordinary activities after income tax	(92,771)	(110,202)
Dividends paid or provided for	-	-
Balance at the end of the financial year	(207,353)	(114,582)

Note 16. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(92,771)	(110,202)
Non cash items:		
- depreciation	15,985	19,168
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(14,264)	23,409
- increase in other assets	(33,747)	(41,097)
- increase/(decrease) in payables	9,113	(418,396)
- increase in provisions	6,314	12,884
Net cashflows used in operating activities	(87,370)	(492,234)

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 17. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	42,648	41,406
- between 12 months and 5 years	81,445	124,093
- greater than 5 years	-	-
	124,093	165,499

The Rental Property Lease Agreement is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The agreement has two 5 year extension options.

Note 18. Auditor's Remuneration

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

- audit and review services	4,500	4,500
- share registry services	1,902	3,250
- non audit services	1,922	3,445
	8,324	11,195

Note 19. Director and Related Party Disclosures

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

Bernard Francis Wilson
David Andrew Impey
Justin Andre Haakman
Terrence John Williams
Damien Marcus Haakman
Peter Damien Bateman (Appointed 5 December 2011)
Geoffrey Thomas Murphy (Resigned 30 November 2011)
Peter Neil McLaren (Resigned 7 November 2011)
Marlene Lynne Jones (Resigned 11 June 2012)

Director Terrence Williams is a member of the Bendigo and Adelaide Bank property valuation panel, from time to time he provides valuation services. These costs are charged to BABL and passed on to the consumer directly.

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

Notes to the financial statements (continued)

Note 19. Director and Related Party Disclosures (continued)

Directors' Shareholdings	2012	2011
Bernard Francis Wilson	1,001	1,001
David Andrew Impey	10,001	10,001
Justin Andre Haakman	68,500	68,500
Terrence John Williams	-	-
Damien Marcus Haakman	68,500	68,500
Peter Damien Bateman (Appointed 5 December 2011)	-	-
Geoffrey Thomas Murphy (Resigned 30 November 2011)	10,001	10,001
Peter Neil McLaren (Resigned 7 November 2011)	1	1
Marlene Lynne Jones (Resigned 11 June 2012)	2,502	2,502

There was no movement in directors' shareholdings during the year.

Note 20. Key Management Personnel Disclosures

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

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

	2012	2011
	\$	\$

Note 21. Earnings Per Share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(92,771)	(110,202)
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	664,227	664,227

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Notes to the financial statements (continued)

Note 24. Segment Reporting

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

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
Unit 19/18-36 Lakeside Boulevard	Unit 19/18-36 Lakeside Boulevard
Pakenham VIC 3810	Pakenham VIC 3810

Note 26. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years				2012	2011
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	43,808	51,456	70,000	150,000	-	-	-	-	1,300	1,022	4.29	2.32
Receivables	-	-	-	-	-	-	-	-	29,246	15,538	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	19,960	11,176	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Lakeside Pakenham Community Enterprise Ltd, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Bernard Francis Wilson,
Chairman

Signed on the 7th of September 2012.

Independent audit report



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

Report on the financial report

We have audited the accompanying financial report of Lakeside Pakenham Community Enterprises Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Lakeside Pakenham Community Enterprises Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Lakeside Pakenham Community Enterprises Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 7 September 2012

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Lakeside Pakenham VIC 3910
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