annual report 2009

Leopold Community
Enterprises Limited
ABN 39 133 061 800

Leopold **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2009

I am pleased to write on the occasion of our first Annual Report, and I am happy to advise that our new enterprise has performed most favourably in comparison to the prospectus forecasts. In short, we have achieved our modified first year forecast for total business, within the first three months of operation. We have been well received by the Leopold community and the number of accounts and customers continues to steadily increase. Our Manager's report details the level of banking business achieved against budget forecasts.

Your Board has been developing policies and procedures to ensure the success of your bank and it is reflected in the significant progress to date. Our staff, led by Manager Chris Stepins, have done a marvellous job in setting up our new branch and are now hard at work, providing the full range of banking services long overdue in Leopold. Our goal is to provide the very highest level of service for all our customers.

Our capital raising was well supported by the local community and we achieved our minimum capital raising of $740,000 prior to 23 January 2009. As at 30 June 2009 we had raised a total of $779,611. (Note: your Board has since resolved to close share subscriptions, with final equity funds of $780,111).

I would like to take this opportunity to formally congratulate and thank you for your support and your demonstration of confidence by accepting the share offer. If you have not done so already, I invite you to call in to the branch and introduce yourself to our staff. They will be pleased to meet you and assist you with your banking needs.

A major aim of Leopold **Community Bank®** Branch is to provide support for the many community organisations that serve our town. To date we have already provided donations or sponsorships of almost $2,000 to the following organisations: Friends of The Bellarine Rail Trail, Leopold Primary School, Red Cross Bushfire Appeal, Lions Club of Leopold and Leopold Football/Netball Club. Your Board is now working through a program to extend this support as we grow our banking business.

During our campaign to establish our bank branch, the Board received invaluable advice and support from Bendigo and Adelaide Bank Ltd's team. Tracy Wilson, Janelle Wehsack, Di Hine and Peter Marke were at the forefront of our campaign. Thank you for your dedication and commitment. Thanks also to Bendigo and Adelaide Bank Ltd Regional Manager Pat Murnane, Business Development Manager Dean Armstrong and the many other staff members who assisted us in the journey.

Finally, I would like to thank our Directors who volunteer their time and energy to ensure the success of our bank. Many hours and much hard work has gone into the campaign to achieve our own bank in Leopold. Thank you for your dedication to your community over the past two years.

Rod Macdonald
Chairman

Manager’s report

For year ending 30 June 2009

As at 30 June 2009 Leopold **Community Bank®** Branch had been operating for just under 3 months. In this short time the support from shareholders and the Leopold community has been outstanding. Our total business of deposits and loans already stands at $30.195 million.

The break up of business was:

Deposits	$16.219 million
Loans	$13.976 million
Total business	$30.195 million
Number of accounts	1,676

This is a fantastic result when compared to our first full year budget forecast:

Deposits	$16.313 million
Loans	$10.791 million
Total business	$27.104 million

Our growth budgets for the new financial year are as follows:

Deposit growth	$13 million
Loans growth	$8 million
Total growth	$21 million

The wonderful results achieved in such a short time have not just happened. They have come about because of the hard work of many people over nearly a two year period.

A big thank you to our dedicated staff members, Katie, Bec, Robyn, Pam and Cassie. Without their hard work and commitment we would not have had the results that we achieved.

I would also like to acknowledge the hard work of all of the Directors and previous Steering Committee members, as a result of their selfless and tireless work a **Community Bank®** branch in Leopold became a reality.

And finally to our shareholders and customers, your financial support will ensure your Leopold **Community Bank®** Branch will be a success. It is with this support that we will be able to support our community with sponsorship and grants. By simply conducting your banking at our **Community Bank®** branch everyone in the wider community benefits.

Chris Stepins
Branch Manager

Directors' report

For year ending 30 June 2009

Your Directors submit their report of the Company for the financial period ended 30 June 2009.

Directors

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

Roderick Ian Macdonald
Chairman
Self Employed and Councillor

Graham Leslie Hare
Director
Director

Pamela Joy Wind
Company Secretary
Administrative Officer

Michelle Elizabeth Laney
Director
Bookkeeper

Janet Kay McIntosh
Director
Real Estate Agent

Trevor John McFarlane
Director
Client Services Manager

Paul John Madden
Director
Accountant

Russell Paul Norton
Director
Business Director

Bob Reinert
Director
Company Director

Lily Amalia Reinert
Director
Office Manager

Hendrik Aart Wind
Director
Painter

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

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

Principal activities

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

There have been no significant changes in the nature of these activities during the period.

Operating results

Operations have performed in line with expectations. The loss made by the Company for the financial period after provision for income tax was $72,310.

Directors' report continued

Dividends

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

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 period under review not otherwise disclosed in this report.

Significant events after the balance date

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

Likely developments

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

Directors' benefits

No Director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has 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 Managers 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' report continued

Directors' meetings

The number of Directors' meetings attended by each of the Directors of the Company during the period were:

Number of meetings held:	**19**
Number of meetings attended:	
Roderick Ian Macdonald	17
Graham Leslie Hare	15
Pamela Joy Wind	19
Michelle Elizabeth Laney	12
Janet Kay McIntosh	18
Trevor John McFarlane	18
Paul John Madden	14
Russell Paul Norton	9
Bob Reinert	17
Lily Amalia Reinert	18
Hendrik Aart Wind	11

Company Secretary

Pamela Wind has been the Company Secretary of Leopold Community Enterprises Ltd since 2008. Pamela's qualifications and experience include a career in nursing as well as working with her husband in their painting and home maintenance business both in the office and on the job. Pam has been involved with various community groups including schools and scouts.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Michelle Laney and Paul Madden;

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

(c) Ongoing Director training; and

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

Auditor independence declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

14 September 2009

The Directors
Leopold Community Enterprises Ltd
PO Box 74
LEOPOLD VIC 3224

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Leopold Community Enterprises Limited for the period ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors in Leopold on 14 September 2009.

Roderick Ian Macdonald

Chairman

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $
Revenue from ordinary activities	2	46,482
Employee benefits expense	3	(87,474)
Charitable donations and sponsorship		(695)
Depreciation and amortisation expense	3	(12,955)
Other expenses from ordinary activities		(44,680)
Profit/(loss) before income tax expense		**(99,322)**
Income tax expense	4	(27,012)
Profit/(loss) after income tax expense		**(72,310)**

Earnings per share (cents per share)		
- basic for profit / (loss) for the period	22	(9.28)
- diluted for profit / (loss) for the period	22	(9.28)
- dividends paid per share	21	-

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $
Current assets		
Cash assets	6	405,612
Receivables	7	13,341
Total current assets		**418,953**
Non-current assets		
Property, plant and equipment	8	158,053
Deferred income tax asset	4	27,012
Intangible assets	9	109,874
Total non-current assets		**294,939**
Total assets		**713,892**
Current liabilities		
Payables	10	21,990
Provisions	11	5,141
Total current liabilities		**27,131**
Total liabilities		**27,131**
Net assets		**686,761**
Equity		
Share capital	12	759,071
Retained earnings / (accumulated losses)	13	(72,310)
Total equity		**686,761**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $
Cash flows from operating activities		
Cash receipts in the course of operations		37,360
Cash payments in the course of operations		(110,001)
Interest received		64
Net cash flows from/(used in) operating activities	**14b**	**(72,577)**
Cash flows from investing activities		
Payment for intangible assets		(120,000)
Payments for property, plant and equipment		(160,882)
Net cash flows from/(used in) investing activities		**(280,882)**
Cash flows from financing activities		
Proceeds from issue of shares		779,611
Cost of equity raising		(20,540)
Net cash flows from/(used in) financing activities		**759,071**
Net increase/(decrease) in cash held		**405,612**
Add opening cash brought forward		-
Closing cash carried forward	**14a**	**405,612**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $
Share capital		
Ordinary shares		
Balance at start of period		-
Issue of share capital		779,611
Share issue costs		(20,540)
Balance at end of period		**759,071**
Retained earnings / (accumulated losses)		
Balance at start of period		-
Profit/(loss) after income tax expense		(72,310)
Dividends paid		-
Balance at end of period		**(72,310)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 14 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

Income tax

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Fitout costs	2.5 - 25%
Plant & equipment	5 - 25%

Impairment

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

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

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

Revaluations

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

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

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Notes to the financial statements continued

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

Recoverable amount of assets

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

Goods and services tax

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

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

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

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Revenue

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

Notes to the financial statements continued

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

Receivables and payables

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

Interest bearing liabilities

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

Provisions

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

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

Contributed capital

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

Comparative figures

The entity commenced operations during the period, hence there are no comparative figures.

Notes to the financial statements continued

	2009 $

Note 2. Revenue from ordinary activities

Operating activities	
- services commissions	46,418
- other revenue	-
Total revenue from operating activities	**46,418**
Non-operating activities:	
- interest received	64
- other revenue	-
Total revenue from non-operating activities	**64**
Total revenue from ordinary activities	**46,482**

Note 3. Expenses

Employee benefits expense:	
- wages and salaries	74,910
- superannuation costs	7,234
- workers' compensation costs	72
- other costs	5,258
	87,474
Depreciation of non-current assets:	
- plant and equipment	2,829
Amortisation of non-current assets:	
- intangibles	10,126
	12,955
Finance costs:	
- Interest paid	-
Bad debts	7

	2009 $

Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	(29,797)
Add tax effect of:	
- Non-deductible expenses	2,785
Current income tax expense / (benefit)	**(27,012)**
Income tax expense / (benefit)	**(27,012)**
Deferred income tax asset	
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**27,012**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	2,700
- Completion of feasibility study	6,000
- Accounting work for prospectus	2,500
	11,200

Note 6. Cash assets

Cash at bank and on hand	**405,612**

Note 7. Receivables

Trade debtors	**13,341**

Notes to the financial statements continued

	2009 $
Note 8. Property, plant and equipment	
Fitout costs	
At cost	103,781
Less accumulated depreciation	(1,040)
	102,741
Plant and equipment	
At cost	57,101
Less accumulated depreciation	(1,789)
	55,312
Total written down amount	**158,053**
Movements in carrying amounts	
Fitout costs	
Carrying amount at beginning of period	-
Additions	103,781
Disposals	-
Depreciation expense	(1,040)
Carrying amount at end of period	**102,741**
Plant and equipment	
Carrying amount at beginning of period	-
Additions	57,101
Disposals	-
Depreciation expense	(1,789)
Carrying amount at end of period	**55,312**

Notes to the financial statements continued

	2009 $

Note 9. Intangible assets

Franchise fee	
At cost	10,000
Less accumulated amortisation	(844)
	9,156
Preliminary expenses	
At cost	110,000
Less accumulated amortisation	(9,282)
	100,718
	109,874

Note 10. Payables

Trade creditors	5,373
Other creditors and accruals	16,617
	21,990

Note 11. Provisions

Employee benefits	**5,141**
Number of employees at period end	**4**

Note 12. Share capital

779,611 Ordinary shares fully paid of $1 each	779,611
Less: Equity raising costs	(20,540)
	759,071

	2009 $

Note 13. Retained earnings / (accumulated losses)

Balance at the beginning of the financial period	-
Profit/(loss) after income tax	(72,310)
Dividends	-
Balance at the end of the financial period	**(72,310)**

Note 14. Cash flow statement

(a) Reconciliation of cash

Cash assets	**405,612**

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

Profit / (loss) after income tax	(72,310)
Non cash items	
- Depreciation	2,829
- Amortisation	10,126
Changes in assets and liabilities	
- (Increase) decrease in receivables	(13,341)
- Increase (decrease) in payables	21,990
- Increase (decrease) in provisions	5,141
- Increase (decrease) in deferred income tax asset	(27,012)
Net cash flows from/(used in) operating activities	**(72,577)**

Note 15. Director and related party disclosures

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

Roderick Ian Macdonald

Graham Leslie Hare

Pamela Joy Wind

Michelle Elizabeth Laney

Janet Kay McIntosh

Trevor John McFarlane

Paul John Madden

Russell Paul Norton

Bob Reinert

Lily Amalia Reinert

Hendrik Aart Wind

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

Directors' shareholdings	**2009**
Roderick Ian Macdonald	2,551
Graham Leslie Hare	2,051
Pamela Joy Wind	1,551
Michelle Elizabeth Laney	10,051
Janet Kay McIntosh	10,051
Trevor John McFarlane	7,051
Paul John Madden	21,051
Russell Paul Norton	15,051
Bob Reinert	5,051
Lily Amalia Reinert	5,051
Hendrik Aart Wind	1,551

All shares were purchased during the period. Each share held has a paid up value of $1 and is fully paid.

Note 16. Subsequent events

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

Notes to the financial statements continued

Note 17. Contingent liabilities

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

Note 18. Segment reporting

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

Note 19. Corporate information

Leopold Community Enterprises Ltd is a Company limited by shares incorporated in Australia.

The registered office is:	Level 1, 50-58 Moorabool Street, Geelong VIC 3220
The principal place of business is:	Shop 18, 621-659 Bellarine Highway, Leopold VIC 3224

Note 20. Dividends paid or provided for on ordinary shares

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

	2009 $

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the period.

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

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

	2009 $
Profit/(loss) after income tax expense	**(72,310)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**779,611**

Note 22. Financial risk management

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

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

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

(a) Credit risk

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

The maximum exposure to credit risk at 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. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount 2009 $
Cash assets	405,612
Receivables	13,341
	418,953

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

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

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

(b) Liquidity risk

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

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

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

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

30 June 2009	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
Payables	**21,990**	**(21,990)**	**(21,990)**	**–**	**–**

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount 2009 $
Fixed rate instruments	
Financial assets	-
Financial liabilities	-
	-
Variable rate instruments	
Financial assets	405,612
Financial liabilities	-
	405,612

Note 22. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. This assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the 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 period ended 30 June 2009 can be seen in the Income Statement.

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

Directors' declaration

In accordance with a resolution of the Directors of Leopold Community Enterprises Limited, I state that:

In the opinion of the Directors:

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

  (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of their performance for the period ended on that date; and

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

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

Roderick Ian Macdonald
Chairman

Signed in Leopold on 14 September 2009.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LEOPOLD COMMUNITY ENTERPRISES LIMITED

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Leopold Community Enterprises Limited, for the period ended 30 June 2009.

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

Audit approach

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

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

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

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

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

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ABN 60 616 244 309

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

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report of Leopold Community Enterprises Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the period ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 14 September 2009

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Bendigo Bank