annual report 2010

Leopold Community
Enterprises Limited
ABN 39 133 061 800

Leopold **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

We have now completed our first full year of trading and have again exceeded the expectations contained in our prospectus. I am pleased to report that the community has continued to demonstrate its strong support for our new **Community Bank®** branch, with a steady rise in both customer numbers and a corresponding increase in banking business.

Whilst there are no dividends recommended for payment this financial year, it is your Board's intention to make dividend payments to shareholders, when we are in the financial position to do so. This year we made a lower than forecast loss and we are in a strong financial position in terms of cash reserves. I encourage you to read our Treasurer's and Manager's reports and the accompanying financial statements. We are budgeting for a modest profit at the end of financial year 2010/2011.

The encouraging performance to date is a result of a great team effort, from both the staff and your Board. Chris Stepins and his staff have worked to provide the very best levels of customer service and to ensure that the specific needs of customers are met. Toward the end of the financial year, we recruited an additional full-time staff member to meet workload demand and to ensure we are well positioned to manage future growth.

Chris has been working to build links with the business community in Leopold and in particular to develop strategies to increase our share of banking business. With the rapid expansion of home building and planned development of Leopold there are significant opportunities for growth.

I would like to thank the Board for their contribution in 2009/2010. This past year also saw the retirement of three Board members: Russell Norton, Henk Wind and Michelle Laney. On behalf of the community I would like to thank each of you for your dedication and commitment to our new enterprise. All three Directors were members of our initial steering committee, which began back in 2007, and their efforts were an important factor in our success in establishing our bank.

Providing support to our community is a major aim of our bank. To this end we have provided cash grants, in-kind support and sponsorships to a range of community groups. And the number continues to grow. These activities are supported through a marketing development fund operated by the Bendigo and Adelaide Bank Ltd. This funding is in addition to our franchise agreement and is related to our business levels. The funding also incorporates several Bendigo and Adelaide Bank Ltd regional marketing initiatives.

Our prospects are very positive and we continue to enjoy the strong and growing support of the local community and of course our shareholders. Thank you again, for your commitment to Leopold and your **Community Bank®** branch.

Rod Macdonald
Chairman

Manager's report

For year ending 30 June 2010

As at 30 June 2010 Leopold **Community Bank**® Branch has been operating for 15 months.

During this time the support we have received from the Leopold Community and our shareholders has been exceptional. In the past financial year we have seen our business grow by almost $30 million and the number of account's grow to 2,863.

The amount of banking business held on our books as at 30 June 2010 is as follows:

Deposits	$30.433 million
Loans	$28.124 million
Total business	**$58.557 million**

This is an excellent result when compared to our three year forecast budget, which estimated the total amount of banking business held on our books to be $50.233 million.

We anticipate another strong year of growth for 2010/2011 and have set ourselves a challenging target once again.

2010/2011 Growth budget

Deposit Growth	$10 million
Lending Growth	$15 million
Total Growth	**$25 million**

Our strong financial performance has allowed us to contribute approximately $28,000 in to our local community by way of sponsorships, grants and donations. Our anticipated continuing strong growth will allow us to support our community more and more in years to come.

This year has been a very busy one for our branch and I would like to thank our staff for their hard work, dedication and commitment. Thanks Katie, Eliza, Nerida, Bec, Robyn, Cassie and Pam. I also wish to thank our hard working Board for their support over the past year.

Most importantly I would like to thank our shareholders and customers. Your continuing financial support will ensure that the Leopold **Community Bank**® Branch will continue to be successful and this will allow us to contribute greatly to our community.

Chris Stepins
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

Now in its 13th year, the **Community Bank®** network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank®** branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than $16.3 billion.

Our **Community Bank®** customers have been served by more than 1150 staff that are supported by almost 1700 volunteer Directors.

And these Directors are endorsed by around 63,000 shareholders who have received more than $14.7 million in dividends, a reward for their belief in the **Community Bank®** concept.

All of this support has enabled the **Community Bank®** network to return more than $40.3 million to assist local community groups and projects since the first **Community Bank®** branch opened in 1998.

These figures add up to a strong **Community Bank®** network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank®** network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont **Community Bank®** Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank®** network generates for its local communities.

Bendigo and Adelaide Bank Ltd report continued

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank®** network.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

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

Directors

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

Roderick Ian Macdonald
Chairman
Self Employed and Councillor

Pamela Joy Wind
Company Secretary
Administrative Officer

Janet Kay McIntosh
Director
Real Estate Agent

Paul John Madden
Director
Accountant

Bob Reinert
Director
Company Director

Hendrik Aart Wind (resigned 9 December 2009)
Director
Painter

Graham Leslie Hare
Director
Director

Michelle Elizabeth Laney (resigned 16 April 2010)
Director
Bookkeeper

Trevor John McFarlane
Director
Client Services Manager

Russell Paul Norton (resigned 9 December 2009)
Director
Business Director

Lily Amalia Reinert
Director
Office Manager

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

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

Principal activities

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

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

Operating results

Operations have performed in line with expectations. The loss made by the Company for the financial year after provision for income tax was $108,068 (2009: $72,310).

Dividends

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

Significant changes in the state of affairs

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

Significant events after the balance date

Leopold Community Enterprises Limited were accepted to the register of Low Volume Market entities with ASIC on 5 July 2010.

Other than stated above, 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 providing banking services to the community.

Directors' benefits

Advance Business Centres Accountants of which Director Paul Madden is Proprietor received $2,112 (2009: nil) for accounting services provided during the financial year.

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

Indemnification and insurance of Directors and Officers

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

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 during the year were:

Director	Board meetings #	Audit committee meetings #
Roderick Ian Macdonald	8 (11)	N/A
Graham Leslie Hare	6 (11)	N/A
Pamela Joy Wind	10 (11)	N/A
Michelle Elizabeth Laney (resigned 16 April 2010)	3 (8)	1 (1)
Janet Kay McIntosh	8 (11)	N/A
Trevor John McFarlane	11 (11)	N/A
Paul John Madden	11(11)	1 (1)
Russell Paul Norton (resigned 9 December 2009)	1 (5)	N/A
Bob Reinert	10 (11)	N/A
Lily Amalia Reinert	10 (11)	N/A
Hendrik Aart Wind (resigned 9 December 2009)	0 (5)	N/A

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

N/A - not a member of that committee.

Company Secretary

Pamela Joy Wind has been the Company Secretary of Leopold Community Enterprises Limited since 2008. Pamela Joy Wind’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 (retired as of 16 April 2010) 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

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

Auditor's Independence Declaration

In relation to our audit of the financial report of Leopold Community Enterprises Ltd for the financial year ended 30 June 2010, 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

Bendigo

10 September 2010

Signed in accordance with a resolution of the Board of Directors in Leopold on 10 September 2010.

Roderick Ian Macdonald
Chairman

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	476,688	46,482
Employee benefits expense	3	(262,878)	(87,474)
Charitable donations and sponsorship		(10,743)	(695)
Depreciation and amortisation expense	3	(37,532)	(12,955)
Other expenses from ordinary activities		(310,490)	(44,680)
Profit/(loss) before income tax expense		**(144,955)**	**(99,322)**
Income tax expense/ (benefit)	4	(36,887)	(27,012)
Profit/(loss) after income tax expense		**(108,068)**	**(72,310)**
Other comprehensive income			
Total comprehensive income		**(108,068)**	**(72,310)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(13.85)	(9.28)
- diluted for profit / (loss) for the year	21	(13.85)	(9.28)

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	266,096	405,612
Receivables	7	27,520	13,341
Total current assets		**293,616**	**418,953**
Non-current assets			
Property, plant and equipment	8	148,530	158,053
Deferred tax assets	4	63,899	27,012
Intangible assets	9	85,874	109,874
Total non-current assets		**298,303**	**294,939**
Total assets		**591,919**	**713,892**
Current liabilities			
Payables	10	7,534	21,990
Provisions	11	5,192	5,141
Total current liabilities		**12,726**	**27,131**
Total liabilities		**12,726**	**27,131**
Net assets		**579,193**	**686,761**
Equity			
Share capital	12	759,571	759,071
Retained earnings / (accumulated losses)	13	(180,378)	(72,310)
Total equity		**579,193**	**686,761**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		491,875	37,360
Cash payments in the course of operations		(644,520)	(110,001)
Interest received		16,638	64
Net cash flows from/(used in) operating activities	**14b**	**(136,007)**	**(72,577)**
Cash flows from investing activities			
Payment for intangible assets		-	(120,000)
Payments for property, plant and equipment		(4,009)	(160,882)
Net cash flows from/(used in) investing activities		**(4,009)**	**(280,882)**
Cash flows from financing activities			
Proceeds from issue of shares		500	779,611
Cost of equity raising		-	(20,540)
Net cash flows from/(used in) financing activities		**500**	**759,071**
Net increase/(decrease) in cash held		**(139,516)**	**405,612**
Cash and cash equivalents at start of year		405,612	-
Cash and cash equivalents at end of year	**14a**	**266,096**	**405,612**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
Balance at start of year		759,071	-
Issue of share capital		500	779,611
Share issue costs		-	(20,540)
Balance at end of year		**759,571**	**759,071**
Retained earnings / (accumulated losses)			
Balance at start of year		(72,310)	-
Profit/(loss) after income tax expense		(108,068)	(72,310)
Dividends paid	20	-	-
Balance at end of year		**(180,378)**	**(72,310)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Leopold Community Enterprises Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

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

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

The financial statements were authorised for issue by the Directors on 10 September 2010.

(b) Statement of compliance

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

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

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

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

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

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

Note 1. Basis of preparation of the financial report

Income tax (continued)

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.

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.

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.

Note 1. Basis of preparation of the financial report

Goods and services tax

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

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

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

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Revenue

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

Receivables and payables

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

Note 1. Basis of preparation of the financial report

Loans and borrowings

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

Provisions

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

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

Share capital

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

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The Company commenced operations during the prior period and hence comparative figures are for the period ending 30 June 2009.

	2010 $	2009 $
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	411,263	46,418
- other revenue	48,787	-
Total revenue from operating activities	**460,050**	**46,418**
Non-operating activities:		
- interest received	16,638	64
- other revenue	-	-
Total revenue from non-operating activities	**16,638**	**64**
Total revenue from ordinary activities	**476,688**	**46,482**

Notes to the financial statements continued

	2010 $	2009 $

Note 3. Expenses

Employee benefits expense:		
- wages and salaries	233,253	74,910
- superannuation costs	24,342	7,234
- workers' compensation costs	808	72
- other costs	4,475	5,258
	262,878	**87,474**
Depreciation of non-current assets:		
- plant and equipment	13,532	2,829
Amortisation of non-current assets:		
- intangibles	24,000	10,126
	37,532	**12,955**
Finance costs:		
- Interest paid	-	-
Bad debts	173	7

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%	(43,487)	(29,797)
Add tax effect of:		
- Non-deductible expenses	6,600	2,785
Current income tax expense / (benefit)	**(36,887)**	**(27,012)**
Income tax expense / (benefit)	**(36,887)**	**(27,012)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**63,899**	**27,012**

	2010 $	2009 $

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	3,900	2,700
- Completion of feasibility study	-	6,000
- Accounting work for prospectus	-	2,500
	3,900	**11,200**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**266,096**	**405,612**

Note 7. Receivables

Trade debtors	**27,520**	**13,341**

Note 8. Property, plant and equipment

Fitout costs		
At cost	103,781	103,781
Less accumulated depreciation	(5,385)	(1,040)
	98,396	**102,741**
Plant and equipment		
At cost	61,110	57,101
Less accumulated depreciation	(10,976)	(1,789)
	50,134	**55,312**
Total written down amount	**148,530**	**158,053**

	2010 $	2009 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

	2010 $	2009 $
Fitout costs		
Carrying amount at beginning of year	102,741	-
Additions	-	103,781
Disposals	-	-
Depreciation expense	(4,345)	(1,040)
Carrying amount at end of year	**98,396**	**102,741**
Plant and equipment		
Carrying amount at beginning of year	55,312	-
Additions	4,009	57,101
Disposals	-	-
Depreciation expense	(9,187)	(1,789)
Carrying amount at end of year	**50,134**	**55,312**

Note 9. Intangible assets

	2010 $	2009 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(2,844)	(844)
	7,156	**9,156**
Preliminary expenses		
At cost	110,000	110,000
Less accumulated amortisation	(31,282)	(9,282)
	78,718	**100,718**
	85,874	**109,874**

Notes to the financial statements continued

	2010 $	2009 $

Note 10. Payables

Trade creditors	7,534	5,373
Other creditors and accruals	-	16,617
	7,534	**21,990**

Note 11. Provisions

Employee benefits	**5,192**	**5,141**

Note 12. Share capital

780,711 Ordinary Shares fully paid of $1 each	780,111	779,611
Less: Equity raising costs	(20,540)	(20,540)
	759,571	**759,071**

Note 13. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(72,310)	-
Profit/(loss) after income tax	(108,068)	(72,310)
Dividends	-	-
Balance at the end of the financial year	**(180,378)**	**(72,310)**

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**266,096**	**405,612**

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

Profit / (loss) after income tax	(108,068)	(72,310)

Notes to the financial statements continued

	2010 $	2009 $
Note 14. Statement of cash flows (continued)		
Non cash items		
- Depreciation	13,532	2,829
- Amortisation	24,000	10,126
Changes in assets and liabilities		
- (Increase) decrease in receivables	(14,179)	(13,341)
- Increase (decrease) in payables	(14,456)	21,990
- Increase (decrease) in provisions	51	5,141
- Increase (decrease) in deferred income tax asset	(36,887)	(27,012)
Net cash flows from/(used in) operating activities	**(136,007)**	**(72,577)**

Note 15. Director and related party disclosures

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

Roderick Ian Macdonald

Graham Leslie Hare

Pamela Joy Wind

Michelle Elizabeth Laney (resigned 16 April 2010)

Janet Kay McIntosh

Trevor John McFarlane

Paul John Madden

Russell Paul Norton (resigned 9 December 2009)

Bob Reinert

Lily Amalia Reinert

Hendrik Aart Wind (resigned 9 December 2009)

Advance Business Centres Accountants of which Director Paul Madden is Proprietor received $2,112 (2009: nil) for accounting services provided during the financial year.

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

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2010	2009
Roderick Ian Macdonald	2,551	2,551
Graham Leslie Hare	2,051	2,051
Pamela Joy Wind	1,551	1,551
Michelle Elizabeth Laney (resigned 16 April 2010)	10,051	10,051
Janet Kay McIntosh	10,051	10,051
Trevor John McFarlane	7,051	7,051
Paul John Madden	21,051	21,051
Russell Paul Norton (resigned 9 December 2009)	15,051	15,051
Bob Reinert	5,051	5,051
Lily Amalia Reinert	5,051	5,051
Hendrik Aart Wind (resigned 9 December 2009)	1,551	1,551

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

Note 16. Subsequent events

Leopold Community Enterprises Limited were accepted to the register of Low Volume Market entities with ASIC on 5 July 2010.

Other than stated above, there have been no events after the end of the financial year that would materially affect the financial statements.

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 were 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 Limited 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 year.

	2010 $	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 year.

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 year (adjusted for the effects of any dilutive options or preference shares).

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

	2010 $	2009 $
Profit/(loss) after income tax expense	**(108,068)**	**(72,310)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**780,111**	**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.

Note 22. Financial risk management (continued)

(a) Credit risk

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

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

	Carrying amount	
	2010	**2009**
	$	**$**
Cash assets	266,096	405,612
Receivables	27,520	13,341
	293,616	**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 (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2010					
Payables	7,534	(7,534)	(7,534)	–	–
	7,534	**(7,534)**	**(7,534)**	**–**	**–**
30 June 2009					
Payables	21,990	(21,990)	(21,990)	–	–
	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 2010 $	Carrying amount 2009 $
Fixed rate instruments		
Financial assets	241,201	-
Financial liabilities	-	-
	241,201	**-**
Variable rate instruments		
Financial assets	24,895	405,612
Financial liabilities	-	-
	24,895	**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. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

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

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

Directors' declaration

In accordance with a resolution of the Directors of 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 2010 and of their performance for the year 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 10 September 2010.

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Leopold Community Enterprises Limited, for the year ended 30 June 2010.

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 2010 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 10 September 2010

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