Leopold Community
Enterprises Limited

ABN 39 133 061 800

annual report 2011

Leopold **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

It gives me great pleasure to present my first report on behalf of the Board of Leopold Community Enterprises Limited. I take over the role of Chairman from our inaugural Chairman Rod Macdonald who retired from the Board in November 2010. Rod was instrumental in the establishment of a steering committee that eventually saw our branch open its doors in April 2009. I also acknowledge another of our inaugural Board members, Mr. Graham Hare, who retired from the Board in January 2011. Both men are to be congratulated for their commitment and diligence and we wish them all the very best in the future.

I wish to welcome to the Board, two new Directors, Marg McFadyen and Grant Cadwallander. Marg and Grant joined the Board in November and have bought a wealth of experience to the existing Board.

All Directors are to be congratulated for their continued commitment and dedication in the administrating of the Company on behalf of the shareholders. Our Directors volunteer their personal time and their enthusiasm and keen sense of community is apparent in all aspects.

I am pleased to present to shareholders on behalf of the Board our Company's performance for the financial year ending 30 June 2011.

- Our business has continued to grow in the past 12 months by $19million; we currently have total footings of $77million (loans and deposits).
- Our profit for the year is $32,131.00 a small but earlier than expected profit.
- The Board has recommended no dividends for this financial year; however it is the intention of this Board, when we are in a financial position to do so, to make dividend payments to shareholders.
- Community investments totaling $50,000 have been made in our community this year (Market Development Fund provided by Bendigo and Adelaide Bank Ltd).

The Bendigo Bank Market Development Fund (MDF) has made the community investments possible. (This funding is additional to our franchise agreement and not drawn from our Company's Balance sheet). We have supported a wide range of community groups in 2010-11 and look forward to extending these relationships and building new relationships in 2011/12.

I would like to acknowledge and thank our fantastic branch staff, led by Branch Manager, Chris Stepins. They continue to perform to a very high standard, servicing our customers and being involved in the community. Good Friday Easter Egg Hunts, fundraising to support communities in need (QLD/Vic flood relief) and Light the Night are just some of the additional activities to their normal day's work. This is what makes the difference between good and excellent!

In closing I would like to acknowledge and thank our shareholders, without your support and belief in our own Leopold **Community Bank®** Branch we wouldn't be in existence today. Our outlook is positive and with continued support, and the support of our community, we can do wonderful things, now and into the future, for everyone within our community.

Thank you for your ongoing support,

Trevor McFarlane
Chairman

Manager's report

For year ending 30 June 2011

We have now completed our second full year of trading and we have well and truly exceeded our performance expectations. With the exceptional support we have received from our shareholders, customers and community partners we have been able to grow our business by another $19 million this financial year.

The amount of business held on our books as at 30 June 2011 is as follows:

Deposits	$37.828 million
Loans	$39.748 million
Total	$77.576 million

As you will see in the financial reports prepared by our Treasurer, we have been able to declare a small profit this financial year. This is 12 months ahead of our prospectus forecast.

We are again budgeting for $20 million in growth in the 2011/2012 financial year and also a substantial increase in profit.

2010/2012 Growth budget

Deposits	$ 8million
Loans	$12million
Total	$20million

Our strong financial performance has again allowed us to make a substantial contribution/investment into our local community by way of grants, sponsorships and donations. With continued strong growth expected, we will be able to increase our community investments more and more in years to come.

An excellent performance such as the one we have achieved does not just happen. It is due to a lot of hard work, effort and teamwork. Thank you again to our staff, Katie, Eliza, Jacqui, Ricky, Alice, Cassie, Robyn, Nerida and Sharon. I would also like to thank our Board members for their tireless efforts over the past 12 months.

And last but by no means least, I wish to thank our shareholders, customers and community partners for their unwavering support. Together we will help make Leopold an even better place.

Chris Stepins
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

Directors

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

Trevor John McFarlane
Chairman
Client Services Manager

Pamela Joy Wind
Company Secretary
Administrative Officer

Janet Kay McIntosh
Director
Real Estate Agent

Lily Amalia Reinert
Director
Office Manager

Bob Reinert
Director
Company Director

Graham Leslie Hare (resigned 24 January 2011)
Director
Director

Roderick Ian Macdonald (resigned 9 November 2010)
Chairman
Self Employed and Councillor

Paul John Madden
Director
Accountant

Margarette McFadyen (appointed 15 November 2010)
Director
Administration Assistant

Grant Cadwallender (appointed 15 November 2010)
Director
Quality Inspector

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.

Review of operations

Operations have performed in line with expectations. The profit / (loss) made by the Company for the financial year after provision for income tax was $15,292 (2010: ($108,068)).

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

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Likely developments

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

Remuneration report

Advance Business Centres Accountants of which Director Paul Madden is Proprietor received $12,480 (2010: $2,112) 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' meetings

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

Director	Board meetings #	Audit committee meetings #
Roderick Ian Macdonald (resigned 9 November 2010)	2 (4)	N/A
Graham Leslie Hare (resigned 24 January 2011)	0 (5)	N/A
Pamela Joy Wind	9 (11)	N/A
Janet Kay McIntosh	9 (11)	N/A
Trevor John McFarlane	10 (11)	N/A
Paul John Madden	9 (11)	1 (1)
Bob Reinert	11 (11)	1 (1)
Lily Amalia Reinert	11 (11)	N/A
Grant Cadwallender (appointed 15 November 2010)	4 (7)	1 (1)
Margarette McFadyen (appointed 15 November 2010)	7 (7)	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 Paul Madden; Bob Reinert and Grant Cadwallender;

(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

16 September 2011

The Directors
Leopold Community Enterprises Limited
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 year ended 30 June 2011, 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 16 September 2011.

Trevor John McFarlane

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	708,926	476,688
Employee benefits expense	3	(336,174)	(262,878)
Charitable donations and sponsorship		(41,450)	(10,743)
Depreciation and amortisation expense	3	(38,268)	(37,532)
Other expenses		(260,903)	(310,490)
Profit/(loss) before income tax expense		**32,131**	**(144,955)**
Income tax expense / (benefit)	4	16,839	(36,887)
Profit/(loss) after income tax expense		**15,292**	**(108,068)**
Other comprehensive income		-	-
Total comprehensive income		**15,292**	**(108,068)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	1.96	(13.85)
- diluted for profit / (loss) for the year	21	1.96	(13.85)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	330,187	266,096
Receivables	7	34,947	27,520
Prepayments		3,629	-
Total current assets		**368,763**	**293,616**
Non-current assets			
Property, plant and equipment	8	140,287	148,530
Deferred tax assets	4	47,060	63,899
Intangible assets	9	61,874	85,874
Total non-current assets		**249,221**	**298,303**
Total assets		**617,984**	**591,919**
Current liabilities			
Payables	10	18,676	7,534
Provisions	11	4,823	5,192
Total current liabilities		**23,499**	**12,726**
Total liabilities		**23,499**	**12,726**
Net assets		**594,485**	**579,193**
Equity			
Share capital	12	759,571	759,571
Retained earnings / (accumulated losses)	13	(165,086)	(180,378)
Total equity		**594,485**	**579,193**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		753,043	491,875
Cash payments in the course of operations		(697,077)	(644,520)
Interest received		14,150	16,638
Net cash flows from/(used in) operating activities	**14b**	**70,116**	**(136,007)**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,025)	(4,009)
Net cash flows from/(used in) investing activities		**(6,025)**	**(4,009)**
Cash flows from financing activities			
Proceeds from issue of shares		-	500
Net cash flows from/(used in) financing activities		**-**	**500**
Net increase/(decrease) in cash held		**64,091**	**(139,516)**
Cash and cash equivalents at start of year		266,096	405,612
Cash and cash equivalents at end of year	**14a**	**330,187**	**266,096**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		759,571	759,071
Issue of share capital		-	500
Share issue costs		-	-
Balance at end of year		**759,571**	**759,571**
Retained earnings / (accumulated losses)			
Balance at start of year		(180,378)	(72,310)
Profit/(loss) after income tax expense		15,292	(108,068)
Dividends paid	20	-	-
Balance at end of year		**(165,086)**	**(180,378)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 16 September 2011.

(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. These changes are not expected to have material impact on the Company's financial statements.

(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 2010 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.

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.

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

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.

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.

Notes to the financial statements continued

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

Provisions (continued)

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.

	2011 $	2010 $

Note 2. Revenue from continuing operations

Operating activities		
- services commissions	643,235	411,263
- other revenue	51,541	48,787
	694,776	**460,050**
Non-operating activities:		
- interest received	14,150	16,638
- other revenue	-	-
	14,150	**16,638**
	708,926	**476,688**

Note 3. Expenses

Employee benefits expense:		
- wages and salaries	285,135	233,253
- superannuation costs	31,995	24,342
- workers' compensation costs	1,119	808
- other costs	17,925	4,475
	336,174	**262,878**

Notes to the financial statements continued

	2011 $	2010 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	14,268	13,532
Amortisation of non-current assets:		
- intangibles	24,000	24,000
	38,268	**37,532**
Bad debts	12	173

Note 4. Income tax expense

	2011 $	2010 $
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%	9,639	(43,487)
Add tax effect of:		
- Non-deductible expenses	7,200	6,600
Current income tax expense / (benefit)	**16,839**	**(36,887)**
Income tax expense / (benefit)	**16,839**	**(36,887)**
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.	**47,060**	**63,899**

Note 5. Auditors' remuneration

	2011 $	2010 $
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,900
	3,900	**3,900**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**330,187**	**266,096**

	2011 $	2010 $

Note 7. Receivables

Trade debtors	**34,947**	**27,520**

Note 8. Property, plant and equipment

Fitout costs		
At cost	103,781	103,781
Less accumulated depreciation	(9,730)	(5,385)
	94,051	**98,396**
Plant and equipment		
At cost	67,135	61,110
Less accumulated depreciation	(20,899)	(10,976)
	46,236	**50,134**
Total written down amount	**140,287**	**148,530**
Movements in carrying amounts		
Fitout costs		
Carrying amount at beginning of year	98,396	102,741
Additions	-	-
Disposals	-	-
Depreciation expense	(4,345)	(4,345)
Carrying amount at end of year	**94,051**	**98,396**
Plant and equipment		
Carrying amount at beginning of year	50,134	55,312
Additions	6,025	4,009
Disposals	-	-
Depreciation expense	(9,923)	(9,187)
Carrying amount at end of year	**46,236**	**50,134**

Notes to the financial statements continued

	2011 $	2010 $

Note 9. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(4,844)	(2,844)
	5,156	**7,156**
Preliminary expenses		
At cost	110,000	110,000
Less accumulated amortisation	(53,282)	(31,282)
	56,718	**78,718**
	61,874	**85,874**

Note 10. Payables

	2011 $	2010 $
Trade creditors	7,812	7,534
Other creditors and accruals	10,864	-
	18,676	**7,534**

Note 11. Provisions

	2011 $	2010 $
Employee benefits	**4,823**	**5,192**
Movement in employee benefits		
Opening balance	5,192	5,141
Additional provisions recognised	21,933	17,943
Amounts utilised during the year	(22,302)	(17,892)
Closing balance	**4,823**	**5,192**

Note 12. Share capital

	2011 $	2010 $
780,711 Ordinary shares fully paid of $1 each	780,111	780,111
Less: Equity raising costs	(20,540)	(20,540)
	759,571	**759,571**

	2011 $	2010 $

Note 13. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(180,378)	(72,310)
Profit/(loss) after income tax	15,292	(108,068)
Dividends	-	-
Balance at the end of the financial year	**(165,086)**	**(180,378)**

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**330,187**	**266,096**

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

Profit / (loss) after income tax	15,292	(108,068)
Non cash items		
- Depreciation	14,268	13,532
- Amortisation	24,000	24,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(11,056)	(14,179)
- Increase (decrease) in payables	11,142	(14,456)
- Increase (decrease) in provisions	(369)	51
- (Increase) decrease in deferred income tax asset	16,839	(36,887)
Net cash flows from/(used in) operating activities	**70,116**	**(136,007)**

Note 15. Director and related party disclosures

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

Roderick Ian Macdonald (resigned 9 November 2010)

Graham Leslie Hare (resigned 24 January 2011)

Pamela Joy Wind

Janet Kay McIntosh

Trevor John McFarlane

Paul John Madden

Bob Reinert

Lily Amalia Reinert

Grant Cadwallender (appointed 15 November 2010)

Margarette McFadyen (appointed 15 November 2010)

Note 15. Director and related party disclosures (continued)

Advance Business Centres Accountants of which Director Paul Madden is Proprietor received $12,480 (2010: $2,112) 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.

Directors' shareholdings	**2011**	**2010**
Roderick Ian Macdonald (resigned 9 November 2010)	2,551	2,551
Graham Leslie Hare (resigned 24 January 2011)	2,051	2,051
Pamela Joy Wind	1,551	1,551
Janet Kay McIntosh	10,051	10,051
Trevor John McFarlane	7,051	7,051
Paul John Madden	21,051	21,051
Bob Reinert	5,051	5,051
Lily Amalia Reinert	5,051	5,051
Grant Cadwallender (appointed 15 November 2010)	-	
Margarette McFadyen (appointed 15 November 2010)	2,500	2,500

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

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2011/2012 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 17. Contingent liabilities and assets

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

Note 18. 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 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.

	2011 $	2010 $

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:

	2011 $	2010 $
Profit/(loss) after income tax expense	**15,292**	**(72,310)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**780,111**	**780,111**

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	
	2011	**2010**
	$	**$**
Cash assets	330,187	266,096
Receivables	34,947	27,520
	365,134	**293,616**

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 (2010: 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 2011					
Payables	18,676	(18,676)	(18,676)	–	–
	18,676	**(18,676)**	**(18,676)**	**–**	**–**
30 June 2010					
Payables	7,534	(7,534)	(7,534)	–	–
	7,534	**(7,534)**	**(7,534)**	**–**	**–**

(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 2011 $	Carrying amount 2010 $
Fixed rate instruments		
Financial assets	234,801	241,201
Financial liabilities	-	-
	234,801	**241,201**
Variable rate instruments		
Financial assets	95,386	24,895
Financial liabilities	-	-
	95,386	**24,895**

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 2010 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 2011 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 2011 and of their performance for the year ended on that date; and

 (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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.

Trevor John McFarlane

Signed in Leopold on 16 September 2011.

Independent audit report

Richmond
Sinnott &
Delahunty

Chartered Accountants

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
Level 2, 10–16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

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 2011 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: 16 September 2011

Leopold **Community Bank**® Branch
Shop 18, Gateway Plaza, Leopold VIC 3224
Phone: (03) 5250 1057 Fax: (03) 5250 2604

Franchisee: Leopold Community Enterprises Limited
Level 1, 50-58 Moorabool Street, Geelong VIC 3220
Phone: (03) 5250 1057
ABN: 39 133 061 800

www.bendigobank.com.au/leopold
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
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