annual report 2010

Gisborne & District Community Enterprises Limited

ABN 57 130 493 499

Gisborne & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

I am pleased to present the 2nd Annual Report on the progress of your **Community Bank®** Company.

The past year has been one of steady, strong performance due to the enthusiasm of our staff led by our Manager Jason Chuck and backed up by the encouragement and assistance of the Board of Directors.

The funds now managed by our branch have now exceeded $50 million and this is fast approaching the break-even point and into profit mode.

Of great assistance to us has been the Market Development Fund, supplied by Bendigo and Adelaide Bank Ltd, specifically so we may support various community activities as we gain more business and contribute to these funds from our profit.

It may be of interest to know that quite a few of our **Community Bank®** branches hold funds in excess of $250 million and are contributing profits to both community entities and dividends to shareholders. Such is the success of some our older branches, they are having some trouble in placing their profits, as the groups in their areas have already been funded to the extent desired.

Three Board members are retiring this year and I would like to thank them for serving us so well in the establishment of our **Community Bank®** branch for a number of years. The members referred to are Cliff Talbot, Nick Selleck and Brian Hunt; all have been most valuable assets to our Board.

Garry Barnes and I recently attended a National Conference of **Community Bank®** Companies at the Convention Centre in Adelaide. It was a most enlightening experience as with over 700 persons attending it gave us a great idea of the enthusiasm and dedication of these volunteers to make their own **Community Bank®** branches so successful. Many had slow start-ups, but with perseverance are now very viable and making large financial contributions to projects in their communities.

The **Community Bank®** concept is, in reality, a simple idea. The funds held by your **Community Bank®** branch are used to engender a profit, as other banks do. However, the difference being that a large percentage of our profit is then distributed back into the community as gifts and sponsorships to worthy causes and, in the near future, to local shareholders.

The Board encourages businesses and individuals to bank with our branch and give us an opportunity to show what can be done when we all work together. To date we have contributed approximately $40,000 to your community.

Maurice Bourke
Chairman.

Manager’s report

For year ending 30 June 2010

Well, it certainly doesn’t seem like twelve months since I last wrote on the progress of our **Community Bank®** branch - how time flies. The opportunity to look back over the last twelve months gives me a great chance to analyze just how far we have come as a branch since we opened our doors on the 19 November 2008. We have grown in so many ways, and we are very well placed now in the local community to make a fantastic difference into the foreseeable future.

From a business perspective, the results for the 2009/2010 financial year were as follows;

- Total Loan Book- $29.2 million (up from $18.4 million - 2008/2009)
- Total Deposit Book- $23 million (up from $17.9 million)
- Total Footings- $52.4 million including “other” (up from $36.3 million)
- Accounts - 1,846 (Up from 1,300)
- Products per customer- 2.048 (up from 1.837)

From a Branch Manager’s perspective, these results represent a very healthy return for the Gisborne & District **Community Bank®** Branch. All key indicators (excluding Insurance sales) were well ahead of plan. More importantly, products per customer (an indication of a clients willingness to entrust the bank with more than one of their banking products) increased through the year to 2.048 products per customer- the highest in the area.

We are definitely, however, a lending branch. To have achieved growth of over $10 million in the lending book is an achievement that I am very satisfied with. I have Susan Tresidder to thank for her assistance in achieving this result. It is a wonderful thing to have two fully qualified lenders working in the one branch, as we can ensure that any potential client approaching the Gisborne & District **Community Bank®** Branch for finance will not have to “make an appointment” or have a lender “call them back”.

From a deposit standpoint, growth of over $5 million is a reasonably strong result. We are building a customer base of loyal clients who bank with us not only for our strong product range and customer service, but the difference we make in their local communities.

There will always be those clients who “chase rates. Sometimes we have extremely competitive rates with particular Term Deposit offerings, other times our rates are competitive if not market leading. We must sell the “complete” relationship when talking to our clients who are considering leaving us for price - any migration of funds away from the Gisborne & District **Community Bank®** Branch seriously erodes our ability to increase our profit, thus reducing the monies we can gift back to the community.

Manager's report continued

The impact that we have made in the community over the past twelve months cannot be understated. A brief summary of some of the sponsorships/grants we have provided is below:

- $3,250 to the Gisborne Ambulance Auxiliary for purchase of a battery charged automatic ventilator (the first purchased for a country Ambulance service),
- $1,500 to support the successful running of the Gisborne Christmas Festival,
- $2,500 to assist the Gisborne SES complete a new kitchen for community usage (along with $5,600 paid to the Gisborne SES resulting from their assistance with the environmentally friendly "Ban the Bulb" campaign),
- $1,000 paid to the Macedon CWA to assist with the purchase of a well needed dishwasher, again for community use,
- $1,000 to the Gisborne & Mt Macedon Historical Society to purchase equipment to digitize its extensive photographic collection,
- $1,000 to the New Gisborne Playgroup to purchase and install grass in the playground of the Ross Watts Hall.

It is obvious that these funds were all gratefully received by the recipients, and they all spoke enthusiastically about the difference these funds will make to their respective organizations at our sponsorship/grants night held on 14 April 2010. For some, this was the first time they had ever received financial assistance. The Gisborne & District **Community Bank®** Branch has thus far gifted back over $36,000 to the community since we opened in November 2008 - a magnificent feat. It is a fantastic feeling to be able to assist the local community in this capacity.

All the staff of the Gisborne & District **Community Bank®** Branch are progressing well, and enjoying their roles. A big thank you to the following staff - Susan Tresidder, Janette Nixon, Glen Mooring, Zoe Olive, Melissa Ryan, Business Banker Ron Blackmore (and his able assistant Coral Semmens) and Financial Planner Michael Parkes, all of whom have contributed in their own way to making our branch what it is today. I thank them for their hard work, perseverance and patience and I trust that they will continue adding their own unique personality and drive to the Gisborne & District **Community Bank®** Branch. They are the face of our branch and we greatly value their efforts. Thanks also to our former colleague Amy White.

To all who bank with the Gisborne & District **Community Bank®** Branch - thank you. Without you, we are a lesser business. The support that we have received from the local townsfolk has been sensational. I hope that this support continues well into the future.

Finally to the Board members of the Gisborne & District **Community Bank®** Branch (past and present), thank you. We are well on the path to establishing a vibrant, sustainable **Community Bank®** branch that we can all be proud of. What a legacy we may all leave behind, a branch that benefits and touches the majority of the inhabitants of the Gisborne and District catchment area.

Jason Chuck

Branch Manager

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:

Ian Robert Barclay
Director
Retired

Maurice Thomas Bourke
Chairman/Director
Retired Bank Manager

John Edward Brierley (resigned 16 July 2009)
Director
Cabinet Maker

Vivian Lee Glenister
Director
Developer

Helen Louise Gray
Minute Secretary/Director
Company Director

Brian Robert Hunt
Director
Estate Agent

Rhonda Anne Irving (resigned 26 October 2009)
Company Secretary/Director
Retired Bookkeeper

Barry Charles Mullen
Deputy Chairman/Director
Retired Medical GP

Bruce Francis Nunan (resigned 26 October 2009)
Treasurer/Director
Retired Manager

Alan Perry (resigned 26 October 2009)
Director
Panel Beater

Nick Richard Montgomery Selleck
Director
Accessories Manager

Clifford John Talbot
Director
Retired Bank Manager

Brian Patrick Collins (appointed 26 October 2009)
Director
Accountant

Garry John Barnes (appointed 26 October 2009)
Director
Company Director

Judith Anne Cameron (appointed 26 October 2009)
Director
Retired Pharmacist

Robert Allan Paterson (appointed 26 October 2009)
Director
Company Director

Directors were in office for this entire year unless otherwise stated. Other than detailed below 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 of the Company for the financial year after provision for income tax was $135,784 (2009: $188,704).

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

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

John Brierley, Vivian Glenister and Bruce Nunan are shareholders in the Company who own the branch premises. Rent is paid under normal commercial terms and for the year ending 30 June 2010 was $67,639 (2009: $54,860).

Barry Mullens was paid an allowance of $200 (2009: nil) to cover incidental costs in relation to being Company Secretary during the year.

No other 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 #
Ian Robert Barclay	12 (13)
Maurice Thomas Bourke	13 (13)
John Edward Brierley (resigned 16 July 2009)	0 (0)
Vivian Lee Glenister	10 (13)
Helen Louise Gray	10 (13)
Brian Robert Hunt	12 (13)
Rhonda Anne Irving (resigned 26 October 2009)	3 (5)
Barry Charles Mullen	13 (13)
Bruce Francis Nunan (resigned 26 October 2009)	3 (5)
Alan Perry (resigned 26 October 2009)	1 (5)
Nick Richard Montgomery Selleck	10 (13)
Clifford John Talbot	12 (13)
Brian Patrick Collins (appointed 26 October 2009)	8 (9)
Garry John Barnes (appointed 26 October 2009)	8 (9)
Judith Anne Cameron (appointed 26 October 2009)	9 (9)
Robert Allan Paterson (appointed 26 October 2009)	5 (9)

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

Company Secretary

Barry Charles Mullen has been the Company Secretary of Gisborne & District Community Enterprises Limited since 3 August 2009 when he replaced Rhonda Anne Irving. Barry is a retired medical practitioner with book keeping experience.

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 Maurice Bourke, Barry Mullen, Brian Collins and Judith Cameron;

(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

29 September 2010

The Directors
Gisborne & District Community Enterprises Limited
PO Box 757
Gisborne VIC 3437

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Gisborne & District Community Enterprises Limited for the 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

Signed in accordance with a resolution of the Board of Directors at Gisborne on 29 September 2010.

Brian Patrick Collins
Director

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	354,923	117,117
Employee benefits expense	3	(271,732)	(155,844)
Charitable donations and sponsorship		(31,906)	(6,850)
Depreciation and amortisation expense	3	(43,523)	(27,189)
Other expenses from ordinary activities		(184,909)	(186,784)
Loss before income tax expense		**(177,147)**	**(259,550)**
Income tax expense / (benefit)	4	(41,363)	(70,846)
Loss after income tax expense		**(135,784)**	**(188,704)**
Other comprehensive income		-	-
Total comprehensive income		**(135,784)**	**(188,704)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(18.78)	(26.09)
- diluted for loss for the year	21	(18.78)	(26.09)

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	78,286	248,372
Receivables	7	36,090	21,239
Total current assets		**114,376**	**269,611**
Non-current assets			
Property, plant and equipment	8	104,111	121,863
Deferred tax assets	4	112,209	70,846
Intangible assets	9	77,088	99,945
Total non-current assets		**293,408**	**292,654**
Total assets		**407,784**	**562,265**
Current liabilities			
Payables	10	16,968	25,199
Provisions	11	10,538	10,679
Total current liabilities		**27,506**	**35,878**
Total liabilities		**27,506**	**35,878**
Net assets		**380,278**	**526,387**
Equity			
Share capital	12	704,766	715,091
Accumulated losses	13	(324,488)	(188,704)
Total equity		**380,278**	**526,387**

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		367,538	103,507
Cash payments in the course of operations		(528,722)	(324,683)
Interest received		4,337	3,454
Net cash flows used in operating activities	**14b**	**(156,847)**	**(217,722)**
Cash flows from investing activities			
Payment for intangible assets		-	(114,286)
Payments for property, plant and equipment		(2,914)	(134,711)
Net cash flows used in investing activities		**(2,914)**	**(248,997)**
Cash flows from financing activities			
Proceeds from issue of shares		-	723,214
Equity raising costs paid		(10,325)	(8,123)
Net cash flows from/(used in) financing activities		**(10,325)**	**715,091**
Net increase/(decrease) in cash held		**(170,086)**	**248,372**
Cash and cash equivalents at start of year		248,372	-
Cash and cash equivalents at end of year	**14a**	**78,286**	**248,372**

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		715,091	-
Issue of share capital		-	723,214
Share issue costs		(10,325)	(8,123)
Balance at end of year		**704,766**	**715,091**
Accumulated losses			
Balance at start of year		(188,704)	-
Loss after income tax expense		(135,784)	(188,704)
Dividends paid	20	-	-
Balance at end of year		**(324,488)**	**(188,704)**

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

Gisborne & District 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 29 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.

Notes to the financial statements continued

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

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
Plant & equipment	10-40%

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.

Notes to the financial statements continued

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

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 (continued)

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	347,381	99,080
- other revenue	3,205	14,583
Total revenue from operating activities	**350,586**	**113,663**
Non-operating activities:		
- interest received	4,337	3,454
Total revenue from non-operating activities	**4,337**	**3,454**
Total revenue from ordinary activities	**354,923**	**117,117**

	2010 $	2009 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	238,894	132,244
- superannuation costs	22,308	12,389
- workers' compensation costs	789	532
- other costs	9,741	10,679
	271,732	**155,844**
Depreciation of non-current assets:		
- plant and equipment	20,666	12,848
Amortisation of non-current assets:		
- intangibles	22,857	14,341
	43,523	**27,189**
Bad debts	614	245

Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on loss before income tax at 30%	(53,144)	(77,865)
Add tax effect of:		
- Non-deductible expenses	6,327	7,019
- prior year under provision	5,454	-
Current income tax expense / (benefit)	**(41,363)**	**(70,846)**
Income tax expense / (benefit)	**(41,363)**	**(70,846)**
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.	**112,209**	**70,846**

	2010 $	2009 $

Note 5. Auditors' remuneration

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

	2010 $	2009 $
- Audit or review of the financial report of the Company	2,900	2,700
- Completion of feasibility study	-	6,000
- Share registry services	875	1,800
- Accounting work for prospectus	-	2,500
	3,775	**13,000**

Note 6. Cash and cash equivalents

	2010 $	2009 $
Cash at bank and on hand	**78,286**	**248,372**

Note 7. Receivables

	2010 $	2009 $
Trade debtors	**36,090**	**21,239**

Note 8. Property, plant and equipment

	2010 $	2009 $
Plant and equipment		
At cost	137,625	134,711
Less accumulated depreciation	(33,514)	(12,848)
Total written down amount	**104,111**	**121,863**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	121,863	-
Additions	2,914	134,711
Disposals	-	-
Depreciation expense	(20,666)	(12,848)
Carrying amount at end of year	**104,111**	**121,863**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Intangible assets

	2010 $	2009 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(3,255)	(1,255)
	6,745	**8,745**
Preliminary expenses		
At cost	104,286	104,286
Less accumulated amortisation	(33,943)	(13,086)
	70,343	**91,200**
	77,088	**99,945**

Note 10. Payables

	2010 $	2009 $
Trade creditors	11,807	14,672
Other creditors and accruals	5,161	10,527
	16,968	**25,199**

Note 11. Provisions

	2010 $	2009 $
Employee benefits	**10,538**	**10,679**

Note 12. Share capital

	2010 $	2009 $
723,214 Ordinary shares fully paid of $1 each	723,214	723,214
Less: Equity raising costs	(18,448)	(8,123)
	704,766	**715,091**

Note 13. Accumulated losses

	2010 $	2009 $
Balance at the beginning of the financial year	(188,704)	-
Loss after income tax	(135,784)	(188,704)
Dividends	-	-
Balance at the end of the financial year	**(324,488)**	**(188,704)**

	2010 $	2009 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

	2010 $	2009 $
Cash assets	**78,286**	**248,372**

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

	2010 $	2009 $
Loss after income tax	(135,784)	(188,704)
Non cash items		
- Depreciation	20,666	12,848
- Amortisation	22,857	14,341
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(41,363)	(70,846)
- (Increase) decrease in receivables	(14,851)	(21,239)
- Increase (decrease) in payables	(8,231)	25,199
- Increase (decrease) in provisions	(141)	10,679
Net cash flows used in operating activities	**(156,847)**	**(217,722)**

Note 15. Director and related party disclosures

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

Ian Robert Barclay

Maurice Thomas Bourke

John Edward Brierley (resigned 16 July 2009)

Vivian Lee Glenister

Helen Louise Gray

Brian Robert Hunt

Rhonda Anne Irving (resigned 26 October 2009)

Barry Charles Mullen

Bruce Francis Nunan (resigned 26 October 2009)

Alan Perry (resigned 26 October 2009)

Nick Richard Montgomery Selleck

Clifford John Talbot

Brian Patrick Collins (appointed 26 October 2009)

Garry John Barnes (appointed 26 October 2009)

Judith Anne Cameron (appointed 26 October 2009)

Robert Allan Paterson (appointed 26 October 2009)

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

John Brierley, Vivian Glenister and Bruce Nunan are shareholders in the Company who own the branch premises. Rent is paid under normal commercial terms and for the year ending 30 June 2010 was $67,639 (2009: $54,860).

Barry Mullens was paid an allowance of $200 (2009: nil) to cover incidental costs in relation to being Company Secretary during the year.

No other 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	**2010**	**2009**
Ian Robert Barclay	6,001	6,001
Maurice Thomas Bourke	10,001	10,001
John Edward Brierley (resigned 16 July 2009)	2,001	2,001
Vivian Lee Glenister	10,001	10,001
Helen Louise Gray	3,501	3,501
Brian Robert Hunt	5,001	5,001
Rhonda Anne Irving (resigned 26 October 2009)	10,001	10,001
Barry Charles Mullen	25,001	25,001
Bruce Francis Nunan (resigned 26 October 2009)	10,001	10,001
Alan Perry (resigned 26 October 2009)	1	1
Nick Richard Montgomery Selleck	1	1
Clifford John Talbot	3,001	3,001
Brian Patrick Collins (appointed 26 October 2009)	-	-
Garry John Barnes (appointed 26 October 2009)	5,000	5,000
Judith Anne Cameron (appointed 26 October 2009)	1,000	1,000
Robert Allan Paterson (appointed 26 October 2009)	10,000	10,000

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

Note 16. Subsequent events

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

Notes to the financial statements continued

Note 17. Contingent liabilities

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

Note 18. Segment reporting

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

Note 19. Corporate information

Gisborne & District Community Enterprises Limited is a Company limited by shares incorporated in Australia.

The registered office is:	Level 1, 11a Hamilton Street, Gisborne VIC 3437
The principal place of business is:	11 Nexus Way, Gisborne VIC 3437

Note 20. Dividends paid or provided for on ordinary shares

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

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing 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 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 $
Loss after income tax expense	**(135,784)**	**(188,704)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**723,214**	**723,214**

Note 22. Financial risk management

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

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

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

(a) Credit risk

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

The maximum exposure to credit risk at 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	78,286	248,372
Receivables	36,090	21,239
	114,376	**269,611**

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.

Notes to the financial statements continued

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	16,968	(16,968)	(16,968)	–	–
30 June 2009					
Payables	25,199	(25,199)	(25,199)	–	–

(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 $	2009 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	78,286	248,372
Financial liabilities	-	-
	78,286	**248,372**

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 Gisborne & District 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.

Brian Patrick Collins
Chairman

Signed at Gisborne on 29 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 GISBORNE & DISTRICT 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 Gisborne & District 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 Gisborne & District 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: 29 September 2010

Gisborne & District **Community Bank®** Branch
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Phone: (03) 5420 7210

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(BMPAR10030) (08/10)