Gisborne & District Community Enterprises Limited

ABN 57 130 493 499

annual report 2011

Gisborne & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

I am pleased to report to all our shareholders and clients that we have completed another successful year of trading, with our business increasing substantially over the period.

Now close on three years since the opening of our Gisborne & District **Community Bank®** Branch we are pleased to see that our figures ahead of the predictions as outlined in the Prospectus of that time. Jason's report has covered our progress over the past 12 months to 30 June, showing a successful year.

Daily our financial figures rise, thanks to the great support from our loyal and happy clients. Our success is also indicative of the work of our dedicated staff, who are the faces of our business.

A recent addition to our staff, Michelle Morrison, comes to us with a wealth of experience in banking behind her. She has settled in quite well and is happy with her new situation. Feel free to call in and meet Michelle when you are passing our office.

We continue to find that housing loans are a steady part of our overall business, however, business loans are a big part of our portfolio.

Speaking from a personal point of view, having spent some 40 years with the State Bank of Victoria, I was initially drawn to Bendigo and Adelaide Bank Ltd's **Community Bank®** model with its policy of returning profits to local communities and local shareholders. As banking was lost in many small country towns, causing an awful loss of confidence in the affected areas, Mr. Rob Hunt, CEO of Bendigo Bank at that time, devised the whole concept of the **Community Bank®** model, and after considerable work the first of the new style banking was launched in the twin towns of Rupanyup/Minyip As these branches proved successful, the **Community Bank®** branch network expanded, with the result that we now have approximately 280 **Community Bank®** branches in all States and Territories of Australia. As a follow on to this, local groups and projects have now been recipients of some $60 million and some $20 million paid in dividends to shareholders, with the amount increasing as each year passes.

The whole idea is to keep local money in local communities. People simply do their banking with us, profits generated by the branch go back to local community groups. As a symbolic example I would suggest that a contribution to, for example, a local gardening group to help fund a pergola in parkland would result in that group banking with us. They would also become advocates and spread the word in regards to benefits of banking with their local **Community Bank®** branch – it's good for you and good for your community.

If you are a shareholder but are not yet a customer, I encourage you to bank with us since the more banking business we can generate, the quicker dividends can be paid. We can also make a much bigger difference to our community in terms of contributions to local projects and organisations. It may be of interest to learn that we have traded at a profit for every month since November 2010, and the figures predict that this trend will continue. Our Prospectus indicated that it would take three years to reach profitability; I can assure you that we have exceeded these predictions, and we look forward to a bright future.

Maurice Bourke
Chairman

Manager's report

For year ending 30 June 2011

The end of the financial year closes the chapter on a fantastic year of growth for Gisborne & District **Community Bank®** Branch. A brief snapshot of achievements as at September 2011 include;

- Combined balances of $72 million, consisting of $31 million in deposits and $41 million in lending,
- Sponsorship/grants amounting to $14,000 delivered to local community groups at the branch's sponsorship/ grants night in May (complimenting the $15,000 handed out at the Company's AGM in November 2010),
- More than $60,000 already contributed back to the local community since opening in November,
- $50,000 pledge to assist with the Gisborne Indoor Stadium project,
- Agreement to install a fully serviced ATM in Riddells Creek.

The Directors, staff of Gisborne & District **Community Bank®** Branch and I take great pride in these achievements, and it is most satisfying to see the many and varied ways the funds are used in the local community. Recipients of our funding include;

- Australian Dingo Foundation - $500 to assist with the purchase of a portable toilet for use at the Dingo Sanctuary and Research Centre,
- Macedon Junior Football Club - $1,000 to purchase an Automatic Emergency Defibrillator (AED),
- New Gisborne Playgroup- $750 to purchase and install soft fall mulch at the Ross Watt Children's Hall,
- Macedon Ranges Health Services - $1,500 sponsorship of the "Men's Shed" in Gisborne,
- $500 to the CWA Macedon to assist the group undertake repairs and maintenance of the entrance driveway and parking area.

These are just a few of the many worthwhile local community groups that Gisborne & District **Community Bank®** Branch has financially assisted within the last 12 months.

I would like to take this opportunity to thank the staff of Gisborne & District **Community Bank®** Branch for their tireless work throughout the year. Susan, Janette, Zoe, Glen and Melissa have all given their time freely to represent the branch at functions and events outside of working hours, and are always willing to "go the extra mile" for our customers. I have a truly fantastic team. Thank you.

Thank you also to the Directors of Gisborne & District Community Enterprises Limited (past and present) that have given their time freely to ensure the Bank continues to grow and prosper. These unpaid volunteers each bring their individual expertise, commitment and drive to the Board, and are to be commended for their hard work.

Gisborne & District **Community Bank®** Branch now is returning consistent profits, and is well positioned to go from strength to strength over the coming years. With this in mind, a new Customer Relationship Office (CRO) role has been created at the branch, and filled by local girl Michelle Morrison. Michelle comes to us from the Commonwealth Bank in Gisborne, and is a welcome addition to the team.

We continue to engage effectively with many and varied members of the community in an attempt to assist with projects that provide meaningful outcomes for all community members. Our client numbers continue to grow, however we are wary of the potential of business to plateau after such a bright and promising initial two and a half years.

Manager's report continued

That is why we need to combine forces - staff, Directors and customers alike- to tell the story of the benefits of banking with your **Community Bank®** branch. The more business we have on the books, the more money we can inject back into the community via sponsorships and grants. It is up to us, however I am confident that we have the team in place to continue the exceptional growth of Gisborne & District **Community Bank®** Branch.

Looking to the future, I am very excited with the possibilities on the horizon. A new staff member, an ATM at Riddells Creek and a bank that is beginning to show consistent profits are all reasons expect that the 2011/2012 financial year will be a good one for Gisborne & District **Community Bank®** Branch.

I look forward to seeing you in the branch soon.

Jason Chuck
Branch Manager

Community contributions

Community contributions and MDF usage

Gisborne & District **Community Bank®** Branch

July 2010 – June 2011

Recipient	Amount
Australian Dingo Foundation	$700
CWA Macedon	$500
Gisborne & Mt Macedon District Historical Soc	$500
Gisborne Rookies Junior Football Club	$750
Gisborne & District Bowling Club	$1,000
Gisborne Bulldogs Basketball Club	$500
Gisborne Christmas Festival Committee	$1,000
Gisborne Church of Christ	$500
Gisborne Dragons Cricket Club	$750
Gisborne Football Netball Club	$2,000
Gisborne Kindergarten	$500
Gisborne Little Athletics	$1,000
Gisborne Masters Football Club	$750
Gisborne SES	$1,000
Gisborne Singers	$1,000
Gisborne Thunder Swimming Club	$1,000
Gisborne Vintage Machinery Society	$500
GSC Chaplaincy Committee	$500
GSCollege - Energy Breakthrough Solar Car	$1,000
House of the Rock	$500
Macedon Cricket Club	$750
Macedon Football Netball Club	$2,000
Macedon Junior Football Club	$1,000
Macedon Kindergarten	$1,298
Macedon Ranges Health Srv	$1,500
Mount Players Inc.	$1,000
Mt Macedon Petanque Club Inc.	$225
New Gisborne Playgroup	$750
Rotary Club of Gisborne	$900
Rotary Club of Riddells Creek	$600
Swinburne Ave Preschool	$500
Total:	**$26,473**

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:

Ian Barclay
Director
Retired

Maurice Bourke
Chairman/Director
Retired Bank Manager

Helen Gray
Deputy Chair/Director
Company Director

Vivian Glenister
Director
Developer

Barry Charles Mullen
Secretary/Director
Retired Medical GP

Brian Hunt
(resigned 15 November 2010)
Director
Estate Agent

Nick Selleck
(resigned 15 November 2010)
Director
Accessories Manager

Clifford Talbot
(resigned 15 November 2010)
Director
Retired Bank Manager

Brian Collins
Treasurer/Director
Accountant

Garry Barnes
Director
Company Director

Judith Cameron
Director
Retired Pharmacist

Robert Paterson
Director
Company Director

Susan Mullen
(appointed 15 November 2010)
Director
Secondary Teacher

Graham Stewart
(appointed 6 June 2011)
Director
Company Director

Bruce Dudon
(appointed 15 November 2010, resigned 21 April 2011)
Director
Retired Optometrist

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.

Directors' report continued

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 loss of the Company for the financial year after provision for income tax was $26,653 (2010: $135,784).

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 the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 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

Vivian Glenister is a shareholder in the Company who own the branch premises. Rent is paid under normal commercial terms and for the year ending 30 June 2011 was $75,090 (2010: $67,639).

Barry Mullen was paid an allowance of $200 (2010: $200) 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 Barclay	11 (12)
Maurice Bourke	10 (12)
Vivian Glenister	10 (12)
Helen Gray	9 (12)
Brian Hunt (resigned 15 November 2010)	2 (5)
Barry Charles Mullen	11 (12)
Nick Selleck (resigned 15 November 2010)	2 (5)
Clifford Talbot (resigned 15 November 2010)	3 (5)
Brian Collins	11 (12)
Garry Barnes	9 (12)
Judith Cameron	9 (12)
Robert Paterson	9 (12)
Susan Mullen (appointed 15 November 2010)	6 (7)
Graham Stewart (appointed 6 June 2011)	1 (1)
Bruce Dudon (appointed 15 November 2010, resigned 21 April 2011)	5 (5)

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. 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

Level 2, 10 -16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

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

Bendigo

22 September 2011

Signed in accordance with a resolution of the Board of Directors at Gisborne on 22 September 2011.

Barry Mullen, Secretary

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	509,551	354,923
Employee benefits expense	3	(270,027)	(271,732)
Charitable donations and sponsorship		(25,788)	(31,906)
Depreciation and amortisation expense	3	(44,593)	(43,523)
Other expenses from ordinary activities		(204,312)	(184,909)
Loss before income tax benefit		**(35,169)**	**(177,147)**
Income tax benefit	4	(8,516)	(41,363)
Loss after income tax benefit		**(26,653)**	**(135,784)**
Other comprehensive income		-	-
Total comprehensive income		**(26,653)**	**(135,784)**
Earnings per share (cents per share)			
- basic for loss for the year	21	(3.69)	(18.78)
- diluted for loss for the year	21	(3.69)	(18.78)

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	73,542	78,286
Receivables	7	46,813	36,090
Total current assets		**120,355**	**114,376**
Non-current assets			
Property, plant and equipment	8	96,797	104,111
Deferred tax assets	4	120,725	112,209
Intangible assets	9	54,231	77,088
Total non-current assets		**271,753**	**293,408**
Total assets		**392,108**	**407,784**
Current liabilities			
Payables	10	25,692	16,968
Provisions	11	12,791	10,538
Total current liabilities		**38,483**	**27,506**
Total liabilities		**38,483**	**27,506**
Net assets		**353,625**	**380,278**
Equity			
Share capital	12	704,766	704,766
Accumulated losses	13	(351,141)	(324,488)
Total equity		**353,625**	**380,278**

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		547,968	367,538
Cash payments in the course of operations		(539,119)	(528,722)
Interest received		829	4,337
Net cash flows from / (used in) operating activities	**14b**	**9,678**	**(156,847)**
Cash flows from investing activities			
Payments for property, plant and equipment		(14,422)	(2,914)
Net cash flows used in investing activities		**(14,422)**	**(2,914)**
Cash flows from financing activities			
Equity raising costs paid		-	(10,325)
Net cash flows used in financing activities		**-**	**(10,325)**
Net decrease in cash held		**(4,744)**	**(170,086)**
Cash and cash equivalents at start of year		78,286	248,372
Cash and cash equivalents at end of year	**14a**	**73,542**	**78,286**

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		704,766	715,091
Issue of share capital		-	-
Share issue costs		-	(10,325)
Balance at end of year		**704,766**	**704,766**
Accumulated losses			
Balance at start of year		(324,488)	(188,704)
Loss after income tax benefit		(26,653)	(135,784)
Dividends paid	20	-	-
Balance at end of year		**(351,141)**	**(324,488)**

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

Gisborne & District 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 22 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 a 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.

Notes to the financial statements continued

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**
Plant & equipment	10-40%
Motor vehicle	8%

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.

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.

Notes to the financial statements continued

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

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 2010.

	2011 $	2010 $

Note 2. Revenue from continuing operations

Operating activities		
- services commissions	508,722	347,381
- other revenue	-	3,205
	508,722	**350,586**
Non-operating activities:		
- interest received	829	4,337
	829	**4,337**
	509,551	**354,923**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	235,023	238,894
- superannuation costs	21,485	22,308
- workers' compensation costs	740	789
- other costs	12,779	9,741
	270,027	**271,732**
Depreciation of non-current assets:		
- plant and equipment	20,220	20,666
- motor vehicles	1,516	-

	2011 $	2010 $
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangibles	22,857	22,857
	44,593	**43,523**
Bad debts	666	614

Note 4. Incometax expense

The prima facie tax on loss before income tax is reconciled to the income tax benefit as follows:

	2011 $	2010 $
Prima facie tax on loss before income tax at 30%	(10,551)	(53,144)
Add tax effect of:		
- Non-deductible expenses	6,426	6,327
- prior year under/(over) provision	(4,391)	5,454
Current income tax benefit	**(8,516)**	**(41,363)**
Income tax benefit	**(8,516)**	**(41,363)**
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.	**120,725**	**112,209**

Note 5. Auditors' remuneration

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

	2011 $	2010 $
- Audit or review of the financial report of the Company	3,900	2,900
- Share registry services	1,600	875
	5,500	**3,775**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**73,542**	**78,286**

	2011 $	2010 $

Note 7. Receivables

Trade debtors	**46,813**	**36,090**

Note 8. Property, plant and equipment

Plant and equipment		
At cost	137,625	137,625
Less accumulated depreciation	(53,734)	(33,514)
Total written down amount	**83,891**	**104,111**
Motor vehicle		
At cost	14,422	-
Less accumulated depreciation	(1,516)	-
Total written down amount	**12,906**	**-**
Total written down amount	**96,797**	**104,111**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	104,111	121,863
Additions	-	2,914
Disposals	-	-
Depreciation expense	(20,220)	(20,666)
Carrying amount at end of year	**83,891**	**104,111**
Motor vehicles		
Carrying amount at beginning of year	-	-
Additions	14,422	-
Disposals	-	-
Depreciation expense	(1,516)	-
Carrying amount at end of year	**12,906**	**-**

Notes to the financial statements continued

	2011 $	2010 $

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(5,255)	(3,255)
	4,745	**6,745**
Preliminary expenses		
At cost	104,286	104,286
Less accumulated amortisation	(54,800)	(33,943)
	49,486	**70,343**
	54,231	**77,088**

Note 10. Payables

Trade creditors	18,270	11,807
Other creditors and accruals	7,422	5,161
	25,692	**16,968**

Note 11. Provisions

Employee benefits	**12,791**	**10,538**
Movement in employee benefits		
Opening balance	10,538	10,679
Additional provisions recognised	13,372	14,014
Amounts utilised during the year	(11,119)	(14,155)
Closing balance	**12,791**	**10,538**

Note 12. Share capital

723,214 Ordinary shares fully paid of $1 each	723,214	723,214
Less: Equity raising costs	(18,448)	(18,448)
	704,766	**704,766**

	2011 $	2010 $

Note 13. Accumulated losses

	2011 $	2010 $
Balance at the beginning of the financial year	(324,488)	(188,704)
Loss after income tax	(26,653)	(135,784)
Dividends	-	-
Balance at the end of the financial year	**(351,141)**	**(324,488)**

Note 14. Statement of cash flows

(a) Cash and cash equivalents

	2011 $	2010 $
Cash assets	**73,542**	**78,286**

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

	2011 $	2010 $
Loss after income tax	(26,653)	(135,784)
Non cash items		
- Depreciation	21,736	20,666
- Amortisation	22,857	22,857
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(8,516)	(41,363)
- (Increase) decrease in receivables	(10,723)	(14,851)
- Increase (decrease) in payables	8,724	(8,231)
- Increase (decrease) in provisions	2,253	(141)
Net cash flows from / (used in) operating activities	**9,678**	**(156,847)**

Note 15. Director and related party disclosures

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

Ian Barclay
Maurice Bourke
Vivian Glenister
Helen Gray
Brian Hunt (resigned 15 November 2010)
Barry Charles Mullen
Nick Selleck (resigned 15 November 2010)
Clifford Talbot (resigned 15 November 2010)
Brian Collins
Garry Barnes
Judith Cameron
Robert Paterson
Susan Mullen (appointed 15 November 2010)
Graham Stewart (appointed 6 June 2011)
Bruce Dudon (appointed 15 November 2010, resigned 21 April 2011)

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

Vivian Glenister is a shareholder in the Company who own the branch premises. Rent is paid under normal commercial terms and for the year ending 30 June 2011 was $75,090 (2010: $67,639).

Barry Mullens was paid an allowance of $200 (2010: $200) 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	**2011**	**2010**
Ian Barclay	6,001	6,001
Maurice Bourke	10,001	10,001
Vivian Glenister	10,501	10,001
Helen Gray	3,501	3,501
Brian Hunt (resigned 15 November 2010)	5,001	5,001
Barry Charles Mullen	25,001	25,001
Nick Selleck (resigned 15 November 2010)	1	1
Clifford Talbot (resigned 15 November 2010)	3,001	3,001
Brian Collins	-	-
Garry Barnes	5,000	5,000
Judith Cameron	1,000	1,000
Robert Paterson	10,000	10,000
Susan Mullen (appointed 15 November 2010)	5,000	5,000
Graham Stewart (appointed 6 June 2011)	-	-
Bruce Dudon (appointed 15 November 2010, resigned 21 April 2011)	4,000	4,000

Vivian Glenister purchased 500 shares during the year. There was no other movement in shares during the year. Each share held has a paid up value of $1 and is fully paid.

Note 16. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 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 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.

	2011 $	2010 $

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:

	2011 $	2010 $
Loss after income tax expense	**(26,653)**	**(135,784)**
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	
	2011	**2010**
	$	**$**
Cash assets	73,542	78,286
Receivables	46,813	36,090
	120,355	**114,376**

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables are 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	25,692	(25,692)	(25,692)	–	–
	25,692	**(25,692)**	**(25,692)**	**–**	**–**
30 June 2010					
Payables	16,968	(16,968)	(16,968)	–	–
	16,968	**(16,968)**	**(16,968)**	**–**	**–**

(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	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	73,542	78,286
Financial liabilities	-	-
	73,542	**78,286**

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 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 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.

Barry Mullen, Secretary

Signed at Gisborne on 22 September 2011.

Richmond
Sinnott &
Delahunty

Chartered Accountants

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 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

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 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: 22 September 2011

Gisborne & District **Community Bank**® Branch
11 Nexus Way, Gisborne VIC 3437
Phone: (03) 5420 7210

Franchisee: Gisborne & District Community Enterprises Limited
11 Nexus Way, Gisborne VIC 3437
ABN: 57 130 493 499

www.bendigobank.com.au/gisborne
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11030) (07/11)