Gisborne & District **Community Bank**® Branch

2012

annual report

Gisborne & District Community Enterprises Limited

ABN 57 130 493 499

Contents

Chairman's report

For year ending 30 June 2012

It is with much pleasure I write this report as we have now been in profit mode for in excess of 12 months; our profits continue to show regular improvements with the result that I am very confident that we will have some welcome news for our shareholders at our Annual General Meeting to be held in November 2012.

Many of you will be aware that we have a group of interested people in Riddells Creek who have formed a Steering Committee with the aim of opening a **Community Bank®** branch in their town. For very practical reasons that Committee has decided to launch as an extension of the Gisborne & District **Community Bank®** Branch because the set-up costs will be significantly lower and staffing will be easier. If Riddells Creek are able to establish a branch, both Riddells Creek and Gisborne will be able to distribute profits from a common fund thus augmenting the funds we currently distribute to all manner of community groups.

As you will have seen in a recent letter from our Secretary there is an intention to change our Holding Company Name to better reflect the new situation in the event the new branch will open. Later a prospectus will be issued to enable interested persons to purchase shares in the new venture, but there is a lot of work to be done before that happens.

We have had some staff changes over the year with our inaugural Manager, Jason Chuck, accepting a new position outside the Bendigo and Adelaide Bank family. The Board appointed Susan Tresidder to fill that vacancy. I would like to record our appreciation to Jason for the sterling work he performed to get the business running as it is today and wish him all the best in his chosen career.

I would like to close with the request that if you are a shareholder but not a customer, our staff would be happy to welcome you as a client. The more funds we are able to access, the better the profits and the greater number of benefits for our community and our shareholders.

Maurice J. Bourke

Maurice Bourke
Chairman

Manager's report

For year ending 30 June 2012

The end of the financial year 2012 has seen another great year of growth for Gisborne & District **Community Bank®** Branch. Our milestones in the last 12 months include;

- Combined balances of $85 million, consisting of $34 million in deposits and $51 million in lending.
- Sponsorships/grants amounting to $47,575 have been delivered to local community groups at the bi-annual Grants Nights. In November 2011 and May 2012, amounts of $20,925 and $26,650 respectively was gifted to various groups.
- Since opening in November 2008, our branch has returned $108,000 to the community.
- A pledge of $50,000 to assist with the Gisborne Indoor Stadium remains in place.

All the staff and the Directors of Gisborne & District **Community Bank®** Branch are immensely proud of what has been achieved to date both in the growth of the business and the contributions handed back to the many varied community groups. Some notable contributions are:

- Gisborne Fire Brigade - $5,500 to purchase four defibrillators for their trucks.
- Gisborne SES - $1,000 to provide a GPS navigation system.
- Riddells Creek Lions Club - $1,000 to support the running of Riddells Creek Twilight Community Fair to be held in November 2012.
- Riddells Creek Football Club - $5,000 to assist with major renovations of their rooms.
- Macedon Kindergarten - $750 to be used towards their Dry River Bed project.
- Macedon Ranges Running Club - $1,000 to assist with the start up of another 2 running groups.
- Mount Players - $1,000 to assist the theatre in meeting ongoing costs of staging local productions.

I would like to take the opportunity to bid farewell to our previous Branch Manager, Jason Chuck, and to introduce myself as the new Branch Manager. I have been working in the branch for the last three years as a Customer Relationship Manager and feel that I already know a great many of our customers and shareholders alike. I have over 12 years experience with Bendigo and Adelaide Bank and have worked in many positions including Manager of a **Community Bank®** branch in Melbourne, before I moved back to the Macedon Ranges.

I would like to thank the staff for their continued hard work – Michelle Morrison, Janette Nixon, Glenys Mooring and Zoe Olive. I believe we have a great team who all contribute to the continued success of the branch.

Please feel free to call or visit our branch at any time - we would love to see you or hear from you.

Susan Tresidder
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

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

Helen Louise Gray
Deputy Chairman/Director
Company Director

Garry John Barnes
Director
Company Director

Barry Charles Mullen
Deputy Chairman/Director
Retired Medical GP

Robert Allan Paterson
Director
Company Director

Judith Anne Cameron
Director
Retired Pharmacist

Graham Charles Stewart
Director
Company Director

Susan Mary Mullen
Director
Secondary Teacher

Paul Anthony Crothers
(Appointed 2 April 2012)
Director
Senior Pastor, Gisborne Church of Christ

Vivian Glenister
(Resigned 4 July 2011)
Director
Developer

Brian Patrick Collins
Director
Accountant

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.

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 profit/(loss) of the company for the financial year after provision for income tax was $37,931 (2011: ($26,653)).

Financial position

The net assets of the company have increased by $37,931 from 30 June 2011 to $391,556 in 2012. The increase is largely due to improved operating performance of the company.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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 2012 was $78,446 (2011: $75,090).

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.

Indemnifying Officers or Auditor

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.

Indemnifying Officers or Auditor (continued)

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.

Directors' meetings

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

Director	Board meetings#
Maurice Thomas Bourke	11 (12)
Barry Charles Mullen	12 (12)
Helen Louise Gray	11 (12)
Ian Robert Barclay	10 (12)
Brian Patrick Collins	10 (12)
JudithAnne Cameron	11 (12)
Garry John Barnes	10 (12)
Robert Allan Paterson	7 (12)
Susan Mary Mullen	9 (12)
Graham Charles Stewart	12 (12)
Paul Anthony Crothers (Appointed 2 April 2012)	4 (4)
Vivian Glenister (Resigned 4 July 2011)	1 (1)

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 and attended training courses organised by Bendigo and Adelaide Bank relating to secretarial duties and the organisation of annual general meetings.

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.

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Gisborne on 6 September 2012.

Maurice Bourke
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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6th September 2012

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

To the Directors of Gisborne & District Community Enterprises Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Dated at Bendigo, 6th September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	682,683	509,551
Employee benefits expense	3	(321,265)	(270,027)
Depreciation and amortisation expense	3	(40,893)	(44,593)
Other expenses from ordinary activities		(216,998)	(204,312)
Operating profit/(loss) before charitable donations & sponsorships		**103,527**	**(9,381)**
Charitable donations and sponsorship		(47,275)	(25,788)
Profit/(loss) before income tax expense		**56,252**	**(35,169)**
Income tax (expense) / benefit	4	(18,321)	8,516
Net profit/(loss) for the year		**37,931**	**(26,653)**
Other comprehensive income		-	-
Total comprehensive income for the year		**37,931**	**(26,653)**
Earnings per share (cents per share)			
- basic for loss for the year	21	5.24	(3.69)
- diluted for loss for the year	21	5.24	(3.69)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	157,076	73,542
Receivables	7	64,978	46,813
Total current assets		**222,054**	**120,355**
Non-current assets			
Property, plant and equipment	8	78,761	96,797
Deferred tax assets	4	102,404	120,725
Intangible assets	9	31,374	54,231
Total non-current assets		**212,539**	**271,753**
Total assets		**434,593**	**392,108**
Liabilities			
Current liabilities			
Payables	10	32,760	25,692
Provisions	11	10,277	12,791
Total current liabilities		**43,037**	**38,483**
Total liabilities		**43,037**	**38,483**
Net assets		**391,556**	**353,625**
Equity			
Issued capital	12	704,766	704,766
Accumulated losses	13	(313,210)	(351,141)
Total equity		**391,556**	**353,625**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		728,715	547,968
Cash payments in the course of operations		(646,916)	(539,119)
Interest received		1,735	829
Net cash flows from / (used in) operating activities	**14b**	**83,534**	**9,678**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(14,422)
Net cash flows used in investing activities		**-**	**(14,422)**
Cash flows from financing activities			
Equity raising costs paid		-	-
Net cash flows used in financing activities		**-**	**-**
Net decrease in cash held		**83,534**	**(4,744)**
Cash and cash equivalents at start of year		73,542	78,286
Cash and cash equivalents at end of year	**14a**	**157,076**	**73,542**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		704,766	704,766
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**704,766**	**704,766**
Accumulated losses			
Balance at start of year		(351,141)	(324,488)
Net profit/(loss) for the year		37,931	(26,653)
Dividends paid	20	-	-
Balance at end of year		**(313,210)**	**(351,141)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(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 are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 6 September 2012.

(b) 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.

(c) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(d) Impairment 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.

(e) 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

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

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

(m) 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

<u>Initial recognition and measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

<u>Classification and subsequent measurement</u>

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue from continuing operations

Revenue from continuing activities		
- services commissions	680,948	508,722
- other revenue	-	-
	680,948	**508,722**
Non-operating activities:		
- interest received	1,735	829
	1,735	**829**
	682,683	**509,551**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	281,689	235,023
- superannuation costs	31,039	21,485
- workers' compensation costs	892	740
- other costs	7,645	12,779
	321,265	**270,027**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	16,229	20,220
- motor vehicles	1,807	1,516
Amortisation of non-current assets:		
- intangible assets	22,857	22,857
	40,893	**44,593**
Bad debts	702	666

Note 4. Income tax expense

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

Prima facie tax on profit / (loss) before income tax at 30%	16,876	(10,551)
Add tax effect of:		
- Non-deductible expenses	4,996	6,426
- under/(over) provision future income tax benefit	-	(4,391)
- (under)/over provision for income tax	(3,551)	-
Current income tax benefit	**18,321**	**(8,516)**
Income tax benefit	**18,321**	**(8,516)**
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.	**102,404**	**120,725**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report of the company	3,900	3,900
- Share registry services	1,650	1,600
	5,550	**5,500**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**157,076**	**73,542**

	2012 $	2011 $

Note 7. Receivables

	2012 $	2011 $
Trade debtors	**64,978**	**46,813**

Note 8. Property, plant and equipment

	2012 $	2011 $
Plant and equipment		
At cost	137,625	137,625
Less accumulated depreciation	(69,963)	(53,734)
Total written down amount	**67,662**	**83,891**
Motor vehicle		
At cost	14,422	14,422
Less accumulated depreciation	(3,323)	(1,516)
Total written down amount	**11,099**	**12,906**
Total written down amount	**78,761**	**96,797**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	83,891	104,111
Additions	-	-
Disposals	-	-
Depreciation expense	(16,229)	(20,220)
Carrying amount at end of year	**67,662**	**83,891**
Motor vehicles		
Carrying amount at beginning of year	12,906	-
Additions	-	14,422
Disposals	-	-
Depreciation expense	(1,807)	(1,516)
Carrying amount at end of year	**11,099**	**12,906**

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(7,255)	(5,255)
	2,745	**4,745**

	2012 $	2011 $

Note 9. Intangible assets (continued)

	2012 $	2011 $
Preliminary expenses		
At cost	104,286	104,286
Less accumulated amortisation	(75,657)	(54,800)
	28,629	**49,486**
	31,374	**54,231**

Note 10. Payables

	2012 $	2011 $
Trade creditors	14,470	18,270
Other creditors and accruals	18,290	7,422
	32,760	**25,692**

Note 11. Provisions

	2012 $	2011 $
Employee benefits	**10,277**	**12,791**
Movement in employee benefits		
Opening balance	12,791	10,538
Additional provisions recognised	17,486	13,372
Amounts utilised during the year	(20,000)	(11,119)
Closing balance	**10,277**	**12,791**

Note 12. Share capital

	2012 $	2011 $
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**

Note 13. Retained earnings / (accumulated losses)

	2012 $	2011 $
Balance at the beginning of the financial year	(351,141)	(324,488)
Profit/(Loss) after income tax	37,931	(26,653)
Dividends	-	-
Balance at the end of the financial year	**(313,210)**	**(351,141)**

	2012 $	2011 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**157,076**	**73,542**

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

Profit/(Loss) after income tax	37,931	(26,653)
Non cash items		
- Depreciation	18,036	21,736
- Amortisation	22,857	22,857
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	18,321	(8,516)
- (Increase) decrease in receivables	(18,165)	(10,723)
- Increase (decrease) in payables	7,068	8,724
- Increase (decrease) in provisions	(2,514)	2,253
Net cash flows from / (used in) operating activities	**83,534**	**9,678**

Note 15. Director and related party disclosures

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

Maurice Thomas Bourke
Barry Charles Mullen
Helen Louise Gray
Brian Patrick Collins
Ian Robert Barclay
JudithAnne Cameron
Garry John Barnes
Robert Allan Paterson
Susan Mary Mullen
Graham Charles Stewart
Paul Anthony Crothers (Appointed 2 April 2012)
Vivian Glenister (Resigned 4 July 2011)

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 2012 was $78,446 (2011: $75,090).

No other Director or related entity has entered into a material contract with the company.

No Director's fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements (continued)

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	**2012**	**2011**
Ian Robert Barclay	6,001	6,001
Maurice Thomas Bourke	10,001	10,001
Susan Mary Mullen	5,000	5,000
Helen Louise Gray	3,501	3,501
Garry John Barnes	5,000	5,000
Barry Charles Mullen	25,001	25,001
Brian Collins	-	-
Robert Allan Paterson	10,000	10,000
JudithAnne Cameron	1,000	1,000
Graham Charles Stewart	-	-
Paul Anthony Crothers (Appointed 2 April 2012)	-	-
Vivian Glenister (Resigned 4 July 2011)	10,501	10,501

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

Note 16. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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. Operating segments

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.

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:

	2012 $	2011 $
Loss after income tax expense	**37,931**	**(26,653)**
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.

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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 2012 $	2011 $
Cash assets	157,076	73,542
Receivables	64,978	46,813
	222,054	**120,355**

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.

None of the assets of the company are past due (2011: 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.

(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.

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2012					
Payables	32,760	(32,760)	(32,760)	–	–
	32,760	**(32,760)**	**(32,760)**	**–**	**–**
30 June 2012					
Payables	25,692	(25,692)	(25,692)	–	–
	25,692	**(25,692)**	**(25,692)**	**–**	**–**

Note 22. Financial risk management (continued)

(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	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	157,076	73,542
Financial liabilities	-	-
	157,076	**73,542**

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 2011 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.

Note 22. Financial risk management (continued)

(e) Capital management (continued)

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 2012 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, the Directors of the company declare that:

In the opinion of the Directors:

1 the financial statements and notes of the company as set out on pages 9 to 26 are in accordance with the Corporations Act 2001 and:

   (i) giving a true and fair view of the company's financial position as at 30 June 2012 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

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Maurice Bourke
Chairman

Signed at Gisborne on 6 September 2012.

Richmond
Sinnott &
Delahunty

Chartered Accountants

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF GISBORNE & DISTRICT COMMUNITY ENTERPRISES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Gisborne & District Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Gisborne & District Community Enterprises Limited is 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 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 6th September 2012

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

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Bendigo Bank

(BMPAR12041) (08/12)