annual report 2010

South Burnett
Community Enterprises Limited
ABN 57 113 889 768

Yarraman & District **Community Bank®** Branch

Contents

Chairman’s report

For year ending 30 June 2010

It is with much pleasure that I present my fifth Annual Report to shareholders, and advise that we have been able maintain extremely strong business growth, even through the economic downturn which has impacted on us all.

During the year, with our very strong customer support base, and the hard work undertaken by our **Community Bank®** team, our business growth has seen our footings increase from $49 million to $57 million.

In December 2009, we were able to open our sub branch in Blackbutt and that is now just starting to develop into a Company and community asset. Tim Johnson, our Branch Manager at Blackbutt, is working tirelessly to grow our customer base in the Blackbutt region.

I would like to thank our Senior Branch Manager, Anne Woodrow and her staff for their out standing contribution, both to our Company and to our Community. Through this dedication and customer support, we have been able to return over $100.000, back into our Communities in the form of grants, donations and sponsorships

It has been great to be part of the Board of Management which has not only set a sound strategic direction for our company, but has ensured that we continually operate within a sound corporate governance and compliance framework. I am very mindful that our Directors not only act in a voluntary capacity, but give their time so enthusiastically. I thank them all very much.

I would also like to thank our Shareholders and Customers for their vital support and for their confidence in our Community Company. This support helps us to continually to grow our business.

It is with much pleasure that I present my Annual Report on behalf of South Burnett Community Enterprises Limited.

Wayne Emms
Chairman

Manager’s report

For year ending 30 June 2010

It is with pleasure that I again present the following results for the financial year ending 30 June 2010 on behalf of the Yarraman & District **Community Bank®** Branch and Blackbutt sub-branch.

In what was another very challenging year, not just for the banking industry, but the financial world as a whole, I am pleased to report to the Board and Shareholders that Yarraman and District **Community Bank®** Branch was still able to achieve some fantastic outcomes. Please note that the below figures are based on the first 6 months of the 2009/2010 financial year, as once the Blackbutt Sub-branch opened, $4.2 million was automatically transferred to their bottom line.

	June 2009	December 2009	% Increase
Accounts	2775	2916	5.08%
Deposits	$23,573,000.00	$25,886,000.00	9.812%
Loans	$29,117,000.00	$32,042,000.00	10.045%
Total Funds Under Management	$53,521,000.00	$57,928,000.00	8.234%

Our branch again contributed in excess of $41,000 to many of your community groups and events by way of donations, sponsorships and merchandising items.

To achieve these results, in such a trying economic climate as this year has been, is a credit to all of our customers and you the shareholders. Without your continued support, not only to Yarraman branch but also to Blackbutt sub-branch now that it is up and running, these results would not be possible.

Board Support – Company Achievements – 2009/2010 financial year:

A big thank you to the Board for all of their support throughout the year and also congratulations to the Directors who have been duly rewarded this year for all of their hard work in making their dream become a reality by finally being able to open their sub-branch in Blackbutt. I would like to wish Tim Johnson, Branch Manager and his staff, Nerrida Roberts and Cindy Rohlf all the best in making the branch a success and hope that the Blackbutt community rally behind their branch, just as the Yarraman and District community did when we opened just over 5 years ago.

Staff:

To the wonderful staff here at Yarraman; June Dugdell, Lorraine Wyvill, Cheryl Nix, Lindy Lynch and Deanne Frohloff, thank you for all of your hard work throughout the year. I congratulate you all on what you achieved last financial year and for your dedication and commitment to the continued success of your branch. Our staff continues to provide outstanding service to all of our customers and are our most valued asset.

Mananger’s report continued

It would be remiss of me not to acknowledge the continued support and encouragement of our Regional Manager, Garth Seymour, our Financial Planner, Katie Alifrangis, our Business Bankers, Geoff Power and Wayne Swadling, our Agribusiness Manager Anthony Schwarz and all of our Community Support Officers in Brisbane. I thank you all.

Finally, thank you to our loyal customers for their support over the past year and for promoting their **Community Bank®** branch with pride and confidence.

It has been another successful year and we look forward to continued success in the future with the ongoing support of our Community.

Anne Woodrow

Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank Ltd report continued

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

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

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

Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

Your directors submit the financial statements of the company for the financial year ended 30 June 2010.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

David Wayne Emms
Chairman
Age: 65
Manufacturer
Building construction/product design
Interests in shares: 1,336

Ross Christopher Begent
Secretary
Age: 57
Economic Development Officer
Business Management & Counselling/Business
Special responsibilities: Corporate Governance
Interests in shares: 4,502

Terence Edward Dhann
Director
Age: 65
Retiree
Business Management/Police Force
Special responsibilities: Buildings
Interests in shares: 1,168

Cr Noel Leslie Strohfeld
Director
Age: 69
Grazier & Agricultural Supplier
Councillor/Business Proprietor/Importer
Special responsibilities: Projects
Interests in shares: 2,003

Francis Edward Smith
Director
Age: 70
Retiree
Exporter of livestock meat
Special responsibilities: Budgeting & strategic planning
Interest in shares: 11,334

James Alan Beveridge
Director
Age: 35
Chartered Accountant
Chartered accountant working in public practice
Special responsibilities: Treasurer
Interests in shares: 3,000

Brenton Lester McLennan
Director
Age: 59
Electrician
Special responsibilities: Human resources
Interests in shares: 21,667

Jeffrey Bruce Connor
Director
Age: 53
Manager
Retired school teacher; current small business owner
Special responsibilities: Sponsorship
Interests in shares: 10,667

Directors' report continued

David Francis Robison

Director

Age: 60

Retired

Previous experience in the financial industry

Special responsibilities: Business development

Interests in shares: 5,667

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

Ross Begent has been the company secretary of South Burnett Community Enterprises Limited since its establishment. His qualifications and experience include being the voluntary secretary of a major employment organisation, director of a State Government small business agency and adviser on business policy and support programmes. He is currently employed by Toowoomba Regional Council in an Economic Development role.

Principal Activities

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

During the year the company opened a second **Community Bank®** branch in Blackbutt. There have been no other significant changes in the nature of activities during the year.

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2010 $	Year ended 30 June 2009 $
	31,449	34,196

Remuneration Report

No director receives remuneration for services as a company director or committee member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

Directors' report continued

Dividends

No dividends were declared or paid for the previous year and 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 or the financial statements.

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. 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 indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors’ report continued

Directors Meetings

The number of directors meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible	Attended
David Wayne Emms	11	11
Ross Christopher Begent	11	10
Terence Edward Dhann	11	8
Cr Noel Leslie Strohfeld	11	5
Francis Edward Smith	11	9
James Alan Beveridge	11	11
Brenton Lester McLennan	11	8
David Francis Robison	11	6
Jeffrey Bruce Connor	11	11

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor’s expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor’s own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Yarraman, Queensland on 30 September 2010.

David Wayne Emms, Chairman

Ross Christopher Begent, Director

Auditor's independence declaration

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of South Burnett Community Enterprises Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 30th day of September 2010

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Comprehensive Income
for the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	4	690,880	498,981
Employee benefits expense		(347,557)	(243,500)
Charitable donations, sponsorship, advertising and promotion		(36,770)	(21,328)
Occupancy and associated costs		(50,991)	(43,246)
Systems costs		(37,729)	(24,178)
Depreciation and amortisation expense	5	(28,127)	(16,673)
Finance costs	5	(20)	(68)
General administration expenses		(143,074)	(98,346)
Profit before income tax expense		**46,612**	**51,642**
Income tax expense	6	(15,163)	(17,446)
Profit after income tax expense		**31,449**	**34,196**
Total comprehensive income for the year		**31,449**	**34,196**
Earnings per share (cents per share)		**¢**	**¢**
- basic for profit for the year	23	4.60	8.05
- dividends paid per share	21	-	6

The accompanying notes form part of these financial statements.

Balance sheet
as at 30 June 2010

	Note	2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	210,347	148,163
Trade and other receivables	8	71,227	58,024
Total Current Assets		**281,574**	**206,187**
Non-Current Assets			
Property, plant and equipment	9	359,788	47,753
Intangible assets	10	88,054	82,274
Deferred tax assets	11	10,632	21,336
Total Non-Current Assets		**458,474**	**151,363**
Total Assets		**740,048**	**357,550**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	69,516	35,475
Current tax liabilities	11	4,459	-
Borrowings	13	12,699	-
Provisions	14	23,790	20,635
Total Current Liabilities		**110,464**	**56,110**
Non-Current Liabilities			
Provisions	14	15,959	8,082
Total Non-Current Liabilities		**15,959**	**8,082**
Total Liabilities		**126,423**	**64,192**
Net Assets		**613,625**	**293,358**
Equity			
Issued capital	15	685,110	396,292
Accumulated losses	16	(71,485)	(102,934)
Total Equity		**613,625**	**293,358**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended June 2010

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2008	**401,292**	**(111,630)**	**289,662**
Total comprehensive income for the year	**-**	**34,196**	**34,196**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(5,000)	-	(5,000)
Dividends provided for or paid	-	(25,500)	(25,500)
Balance at 30 June 2009	**396,292**	**(102,934)**	**293,358**
Balance at 1 July 2009	**396,292**	**(102,934)**	**293,358**
Total comprehensive income for the year	**-**	**31,449**	**31,449**
Transactions with owners in their capacity as owners:			
Shares issued during period	311,100	-	311,100
Costs of issuing shares	(22,282)	-	(22,282)
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	**685,110**	**(71,485)**	**613,625**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the year ended 30 June 2010

	Note	2010 $	2009 $
Cash Flows From Operating Activities			
Receipts from customers		689,306	479,687
Payments to suppliers and employees		(633,709)	(420,609)
Interest received		6,842	7,331
Interest paid		(20)	(68)
Income taxes paid			
Net cash provided by operating activities	**17**	**62,419**	**66,341**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(281,752)	(7,493)
Payments for intangible assets		(20,000)	-
Net cash used in investing activities		**(301,752)**	**(7,493)**
Cash Flows From Financing Activities			
Proceeds from issues of shares		311,100	-
Payment for share issue costs		(22,282)	(5,000)
Dividends paid		-	(25,500)
Net cash provided by/(used in) financing activities		**288,818**	**(30,500)**
Net increase in cash held		**49,485**	**28,348**
Cash and cash equivalents at the beginning of the financial year		148,163	119,815
Cash and cash equivalents at the end of the financial year	**7(a)**	**197,648**	**148,163**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards, and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with IFRS International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Yarraman and Blackbutt Queensland.

The branch operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the **Community Bank®** branch on behalf of

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

Bendigo Bank, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Currant tax (continued)

substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

d) Employee Entitlements (continued)

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

e) Cash and Cash Equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The establishment fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

Note 1. Summary of Significant Accounting Policies (continued)

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(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 using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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 of 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.

n) Contributed Equity

Ordinary shares are 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) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) 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 balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

p) Goods and Services Tax

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

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 balance sheet.

Notes to the financial statements continued

Note 2. Financial Risk 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 2010 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

Note 3. Critical Accounting Estimates and Judgements (continued)

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2010 $	2009 $
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	683,693	492,387
Total revenue from operating activities	**683,693**	**492,387**
Non-operating activities:		
- interest received	7,187	6,594
Total revenue from non-operating activities	**7,187**	**6,594**
Total revenues from ordinary activities	**690,880**	**498,981**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,875	1,681
- leasehold improvements	8,032	2,992
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
- establishment process fee	2,220	-
	28,127	16,673
Finance costs:		
- interest paid	20	68
Bad debts	**899**	**1,131**

	Note	2010 $	2009 $

Note 6. Income Tax Expense

The components of tax expense comprise:			
- Current tax		4,459	-
- Movement in deferred tax		(3,207)	(1,452)
- Recoup of prior year tax loss		13,911	18,898
		15,163	**17,446**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		46,612	51,642
Prima facie tax on profit from ordinary activities at 30%		14,023	15,493
Add tax effect of:			
- non-deductible expenses		4,266	3,600
- timing difference expenses		3,206	1,452
- other deductible expenses		(3,125)	(1,647)
		18,370	**18,898**
Movement in deferred tax	11	10,704	17,446
Recoupment of prior year losses		(13,911)	(18,898)
		15,163	**17,446**

Notes to the financial statements continued

	Note	2010 $	2009 $

Note 7. Cash and Cash Equivalents

		2010 $	2009 $
Cash at bank and on hand		61,063	45,453
Term deposits		149,284	102,710
		210,347	**148,163**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

		2010 $	2009 $
Cash at bank and on hand		61,063	45,453
Term deposits		149,284	102,710
Bank overdraft	13	(12,699)	-
		197,648	**148,163**

Note 8. Trade and Other Receivables

		2010 $	2009 $
Trade receivables		49,123	48,823
Other receivables & accruals		1,444	3,715
Prepayments		20,660	5,486
		71,227	**58,024**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Property, Plant and Equipment

	2010 $	2009 $
Plant and equipment		
At cost	93,774	12,881
Less accumulated depreciation	(10,742)	(4,825)
	83,032	**8,056**
Leasehold improvements		
At cost	293,811	48,699
Less accumulated depreciation	(17,055)	(9,002)
	276,756	**39,697**
Total written down amount	**359,788**	**47,753**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	8,056	5,480
Additions	80,851	4,257
Less: depreciation expense	(5,875)	(1,681)
Carrying amount at end	**83,032**	**8,056**
Leasehold improvements		
Carrying amount at beginning	39,697	39,453
Additions	245,091	3,236
Less: depreciation expense	(8,032)	(2,992)
Carrying amount at end	**276,756**	**39,697**
Total written down amount	**359,788**	**47,753**

	2010 $	2009 $

Note 10. Intangible Assets

	2010 $	2009 $
Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(60,000)	(48,000)
	-	**12,000**
Establishment process fee		
At cost	20,000	-
Less: accumulated amortisation	(2,220)	-
	17,780	**-**
Goodwill	**70,274**	**70,274**
Total written down amount	**88,054**	**82,274**

Note 11. Tax

	2010 $	2009 $
Current:		
Income tax payable	4,459	-
Non-Current:		
Deferred tax assets		
- employee provisions	11,925	8,615
- tax losses carried forward	-	13,911
	11,925	**22,526**
Deferred tax liability		
- accruals	373	270
- deductible prepayments	920	920
	1,293	**1,190**
Net deferred tax asset	**10,632**	**21,336**
Movement in deferred tax charged to statement of comprehensive income	**(10,704)**	**(17,446)**

Notes to the financial statements continued

	Note	2010 $	2009 $

Note 12. Trade and Other Payables

Trade creditors		60,785	29,746
Other creditors & accruals		8,731	5,729
		69,516	**35,475**

Note 13. Borrowings

Current:

Bank overdrafts		12,699	-
		12,699	**-**

As at 30 June 2010 no approved overdraft limit was in place for this account.

Note 14. Provisions

Current:

Provision for annual leave		**23,790**	**20,635**
Non-Current:			
Provision for long service leave		**15,959**	**8,082**
Number of employees at year end		5	4

Note 15. Contributed Equity

880,878 Ordinary shares fully paid (2009: 425,010)		736,100	425,000
Less: equity raising expenses		(50,990)	(28,708)
		685,110	**396,292**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy

Note 15. Contributed Equity (continued)

for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

"In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

Notes to the financial statements continued

Note 15. Contributed Equity (continued)

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Retained Earnings

	2010 $	2009 $
Balance at the beginning of the financial year	(102,934)	(111,630)
Net profit from ordinary activities after income tax	31,449	34,196
Dividends paid or provided for	-	(25,500)
Balance at the end of the financial year	**(71,485)**	**(102,934)**

Note 17. Statement of Cashflows

	2010 $	2009 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	31,449	34,196
Non cash items:		
- depreciation	13,907	4,673
- amortisation	14,220	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(13,203)	(13,168)
- (increase)/decrease in other assets	10,704	17,446
- increase/(decrease) in payables	(10,149)	3,156
-increase/(decrease) in provisions	11,032	8,038
-increase/(decrease) in current tax liabilities	4,459	-
Net cashflows provided by operating activities	**62,419**	**66,341**

Notes to the financial statements continued

	2010 $	2009 $

Note 18. Leases

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	9,079	19,992
- between 12 months and 5 years	11,629	23,514
- greater than 5 years	-	-
	20,708	**43,506**

The branch premises lease for Yarraman is a non-cancellable lease with a five-year term. An option to review and renew the lease for a further 5 year due in August 2010. Rent payable monthly in advance.

The branch premises lease for Blackbutt is a non-cancellable lease with a five-year term. An option to review and renew the lease for a further 5 year due in November 2012. Rent payable monthly in advance.

Note 19. Auditors' Remuneration

Amounts received or due and receivable by the		
auditor of the company for:		
- audit & review services	4,500	1,500
- share registry services	3,097	-
- non audit services	12,568	6,550
	20,165	**8,050**

Note 20. Director and Related Party Disclosures

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

David Wayne Emms

Ross Christopher Begent

Terence Edward Dhann

Cr Noel Leslie Strohfeld

Francis Edward Smith

James Alan Beveridge

Brenton Lester McLennan

David Francis Robison

Jeffrey Bruce Connor

No 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.

Except for James Beveridge and Brenton McLennan, no 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.

James Beveridge is a director at Beveridge Carey Accountants Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit Beveridge Carey Accountants Pty Ltd received was $17,009.55 (2009:$8,518.50).

Brenton McLennan is a director of Breaker Electrical Pty Ltd which supplied the company with electrical repair services during the financial year. During the financial year the total benefit Breaker Electrical Pty Ltd received was $176 (2009:nil).

Directors Shareholdings	**2010**	**2009**
David Wayne Emms	1,336	1,001
Ross Christopher Begent	4,502	3,001
Terence Edward Dhann	1,168	501
Cr Noel Leslie Strohfeld	2,003	1,501
Francis Edward Smith	11,344	1,000
James Alan Beveridge	3,000	-
Brenton Lester McLennan	21,667	8,500
David Francis Robison	5,667	500
Jeffrey Bruce Connor	10,667	500

There was no movement in directors shareholdings during the year.

	2010 $	2009 $
Note 21. Dividends Paid or Provided		
a. Dividends paid during the year		
Current year dividend		
unfranked dividend - 6 cents per share	**-**	**25,500**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	-	-
- franking credits that will arise from payment of income tax payable as at the end of the financial year	4,459	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	4,459	-
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**4,459**	**-**

Note 22. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2010 $	2009 $

Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	31,449	34,196
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	684,309	425,010

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services in Yarraman and Blacbutt, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
23 Toomey Street
YARRAMAN QLD 4614

Principal Place of Business
23 Toomey Street
YARRAMAN QLD 4614

Note 28. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 $	2009 $	2010 %	2009 %
Financial Assets												
Cash and cash equivalents	107,299	45,418	149,284	102,710	-	-	-	-	338	34	3.37	5.61
Receivables	-	-	-	-	-	-	-	-	49,123	47,729	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	12,699	-	-	-	-	-	-	-	-	-	0.04	N/A
Payables	-	-	-	-	-	-	-	-	60,800	29,746	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of South Burnett Community Enterprises Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

David Wayne Emms, Chairman

Ross Christopher Begent, Director

Signed on the 30th of September 2010.

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

AFS partners in success
Chartered Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the members of South Burnett Community Enterprises Limited

We have audited the accompanying financial report of South Burnett Community Enterprises Limited, which comprises the balance sheet as at 30 June 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

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. These auditing 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 our 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, we consider internal controls relevant to the entity's preparation and presentation 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 entity'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of South Burnett Community Enterprises Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of South Burnett Community Enterprises Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 30th day of September 2010

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the company provides the following information as at 29th September 2010, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Numbers of shares held	Number of shareholders
1 to 1,000	195
1,001 to 5,000	140
5,001 to 10,000	24
10,001 to 100,000	14
100,001 and over	Nil
Total Shareholders	**373**

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are four shareholders holding less than a marketable parcel of shares ($500 in value)

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

BSX report continued

The following table shows the 10 largest shareholders.

Shareholder	Number of shares	Percentage of capital
John B Adams	37,000	4.21
Kerry Claude Wyvill	31,667	3.61
Toowoomba Regional Council	26,667	3.04
Nathan Gordon Daly	26,667	3.04
Barry Francis Blunt & Dorothy May Blunt	21,667	2.35
Breaker Electrical Pty Ltd	20,667	2.47
Anthony John Tilden	20,000	2.28
Valma Goodman	15,000	1.71
Paul Bernard Charlton & Janice Maree Charlton	13,334	1.52
James Norman Fowler & Elizabeth Anne Fowler	13,334	1.52
	226,003	**22.71**

Registered Office and Principal Administrative Office

The registered office of the Company is located at:

23 Toomey Street,

Yarraman QLD 4614

Phone: 07 41638162

The principal administrative office of the Company is located at:

23 Toomey Street

Yarraman QLD 4614

Phone: 07 41638162

Security register

The security register (share register) is kept at:

AFS & Associates

P O Box 454

Bendigo VIC 3552

Phone: 03 54430344

BSX report continued

Company Secretary

Ross Begent has been the Company Secretary of South Burnett Community Enterprises Ltd since the commencement of the Company in April 2005.

Ross Begent's qualifications and experience include being the voluntary Secretary of a major employment organisation, Director of a State Government Small Business Agency and Ministerial Advisor on business policy. Ross is currently employed as an Economic Development Officer with Toowoomba Regional Council and has been appointed as a Community Bank Mentor by Bendigo Bank Limited.

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 Jim Beveridge, Frank Smith, Wayne Emms and Anne Woodrow

(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.

Annexure 3A

There are no material differences between the information in the company's Annexure 3A and the information in the financial documents in its annual report.

Yarraman & District **Community Bank**® Branch
23 Toomey Street, Yarraman QLD 4614
Phone: (07) 4163 8162

Blackbutt Branch
49A Coulson Street, Blackbutt QLD 4306
Phone: (07) 4163 0734

Franchisee: South Burnett Community Enterprises Limited
23 Toomey Street, Yarraman QLD 4614
Phone: (07) 4163 8162
ABN: 57 113 889 768

www.bendigobank.com.au/yarraman
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(KKQAR10011) (07/10)

Bendigo Bank