Yarraman & District **Community Bank®** Branch

annual report 2012

South Burnett
Community Enterprises Limited
ABN 57 113 889 768

Contents

Chairman's report

For year ending 30 June 2012

Welcome Shareholders,

Again it gives me great pleasure to present the Annual Report on behalf of South Burnett Community Enterprises. This is our seventh Report.

The main highlights this year were the gift of the car to the Graham House Foundation, the Scholarship to enable a young student from our area, to study at University and of course, the continuing Grants Programme Evening. All were very memorable occasions.

Our growth continues despite the world economic difficulties with a sound base of $80 million being touched.

The efforts of Lorraine Wyvill in turning Blackbutt around and Anne Woodrow maintaining our very successful business in Yarraman, has again been outstanding.

We are well on the path to establishing the new branch at Nanango.

Your Board has worked tirelessly to ensure that the goals of the Community Bank are met. The dedication of their time and expertise has left us in a very healthy position. Many thanks to each and every Board member.

It has been a privilege to serve as your Chairman.

Frank Smith

Chairman.

Manager’s report

For year ending 30 June 2012

“At Bendigo Bank we realised long ago that to help your community become successful, we first needed to help U become successful. Because if U grow, everyone will grow with U – After all without U – there’s no us!
So we’re concentrating on U – by delivering great products and services.”

It is with pleasure that I present the seventh Annual Report and results for the financial year ending 30 June 2012 on behalf of the Yarraman & District **Community Bank®** Branch and Blackbutt branch.

In what was yet another very challenging year in the financial world, I am pleased to report to the Board and shareholders that Yarraman & District **Community Bank®** Branch and the Blackbutt branch were still able to achieve some excellent outcomes.

Both branches have continued to perform well this year with the following portfolio of funds under management. Considering the challenges given the economic downturn the branches were still able to return a positive result.

Yarraman	June 2011	June 2012	% Increase
Deposits	$22,828,000	20,892,000	(8.48%)
Loans	$36,892,000	$40,170,000	8.88%
Other Business	$1,828,000	$1,759,000	(3.77%)
Total Funds Under Management	$61,548,000	$62,821,000	2.068%

Blackbutt	June 2011	June 2012	% Increase
Deposits	$3,130,000	$4,829,000	54.28%
Loans	$4,719,000	$6,784,000	43.78%
Other Business	$108,000	Nil	
Total Funds Under Management	$7,957,000	$11,613,000	45.94%
Combined Total:	$69,505,000	$74,434,000	7.09%

I would just like to congratulate the staff from both branches on achieving such excellent results.

The above growth resulted in the branch generating good profits each month which enabled us to once again contribute vital funding back to our local communities, by way of sponsorships, community grants and donations.

Following on from the success of our 2011 Community Grants Program, we were delighted to budget and invest $30,000 in funding for our 2012 Grant Program to 10 successful Community Groups. ($35,000 has been budgeted for 2013).

On the evening of our Grants presentation, we were also delighted to announce the funding of a vehicle for Graham House Community Centre which is an accredited Transport Provider with Queensland Transport and offers a range of transport options for transport of disadvantaged people of the South Burnett Region. The cost of this project was $33,182.

In 2011/12, South Burnett Community Enterprises Limited adopted Bendigo and Adelaide Bank’s Student Scholarship Program which has enabled us to sponsor a deserving local year 12 student with $5,000 towards their studies

Manager's report (continued)

Company Achievements 2011/2012 financial year:

South Burnett Community Enterprises Limited won the 2011 **Community Bank®** Achievement Award. The award recognises the significant achievement in business growth and profitability while engaging and assisting local youth.

South Burnett Community Enterprises Limited prides itself at being at the forefront of Director education, to help the future capacity of their company and developing significant relationships with Government.

The 2011/2012 financial year also saw the company pay our shareholders their second dividend of 4.5%.

Staff

Our staff continue to provide outstanding service to all of our customers and are our most valued asset.

I would like to take this opportunity to congratulate Lorraine Wyvill on her promotion to Branch Manager of Blackbutt. Congratulations to Lorraine and herteam of Cindy Rohlf and Nerrida Roberts for their dedication and commitment to the continued success of our Blackbutt branch.

To my wonderful staff at Yarraman, I am fortunate to have the support of a great team. I thank them for their commitment to the Bendigo Way of banking and congratulate them on their fine achievements in providing exceptional customer service, and for the happy and hardworking environment they have created.

I personally would like to thank and congratulate, June Dugdell, Cheryl Nix, and Joanne Collett for what they achieved last financial year and for their dedication and commitment to the success of their branch. I would like to welcome Daniel Mead who has recently joined our team in Yarraman.

It would also like to acknowledge the continued support of our Regional Manager, Garth Seymour, our Business Banker, Wayne Swadling, our Financial Planner Katie Alifrangis and our Community Support Officers in Brisbane.
I thank you all.

Board Support

A big thank you to the Board for all of their support throughout the year. I congratulate our Chairman Frank Smith and each Director for their commitment and dedication to the success of both branches.

And, of course there are our customers and shareholders. They have made a vital contribution in putting their faith in Yarraman & District **Community Bank®** Branch and Blackbutt branch and, in return, are enjoying the exceptional customer service that our **Community Bank®** branches have become renowned for.

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

Directors' report

For the financial year ended 30 June 2012

Your directors submit the financial statements 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:

Francis Edward Smith
Chairman
Age: 72
Retired
Former exporter of livestock before moving into specialist funds management roles.
Special responsibilities: - Finance, Audit and Governance
Interest in shares: 11,334

James Alan Beveridge
Treasurer
Age: 37
Chartered Accountant
Worked in public accounting since 1993, now a Chartered Accountant dealing with small to medium enterprises.
Special responsibilities: Audit, Due Diligence
Interests in shares: 3,000

David Wayne Emms
Director
Age: 68
Retired
Former manufacturer/ builder. Chairman of Yarraman Community Council and Chairman of Colours of Yarraman Festival.
Special responsibilities: Buildings
Interests in shares: 1,336

Ross Christopher Begent
Director
Age: 59
Manager
Business Management & Counselling/Business, Tourism & Event Management Diploma of Management.
Special responsibilities: Corporate Governance, Strategic Planning
Interests in shares: 4,502

David Francis Robison
Secretary
Age: 63
Retired
30 years experience in the Motor Vehicle finance industry in management positions. A very active member in the Blackbutt community.
Special responsibilities: Secretary
Interests in shares: 6,417

Noel Leslie Strohfeld
Director
Age: 71
Company Director/Grazier
30 years in local government including 11 years as mayor. Licensed motor dealer and member of CoMSEQ rural futures taskforce and growth management & planning committee.
Special responsibilities: Projects
Interests in shares: 2,003

Brenton Lester McLennan
Vice Chairman
Age: 61
Electrician
Owner of Breaker Electrical Pty Ltd, member of the Blackbutt Golf Club executive and former councillor with the Nanango Shire Council between 1991-1997.
Special responsibilities: Human resources
Interests in shares: 22,334

Jeffrey Bruce Connor
Director
Age: 55
Medical Center Practice Manager
Masters in Education Administration. Principal of schools for 20 years. Chairman of the Blackbutt and Benarkin Aged Care Association and Bloomin Beautiful Blackbutt Festival Inc. Justice of the Peace.
Special responsibilities: Sponsorship and Marketing, Public Relations
Interests in shares: 10,667

Ross Michael Towell
Director
Age: 51
Business Owner
Part of the Nanango Community Bank project since inception in 2008 .Owner/Editor of the Country Focus Newspaper and past President of Nanango Tourism and Development Association. Involved in many community organisations.
Special responsibilities: Nanango Steering Committee
Interests in shares: Nil

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

David Robison was appointed to the position of company secretary on 7 December 2010, replacing Ross Begent who had been the company secretary since the company's establishment. David has many years experience in the financial industry, managing several large offices within a finance company.

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 franchised branches of Bendigo and Adelaide Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating Results

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

	Year ended 30 June 2012 $	Year ended 30 June 2011 $
	14,193	(30,010)

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.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

	Year Ended 30 June 2012	
Dividends	**Cents**	**$**
Dividends paid in the year	4.50	39,651

Significant Changes in the State of Affairs

The directors' supported the conduct of a feasibility study to determine the viability of opening a third branch in Nanango. Following positive indications from the feasibility study it was decided to proceed with preparation of a prospectus for the purposes of raising capital for the establishment of the third branch. The prospectus has now been prepared and issued to the public. This decision may affect the operations of the company and the results of those operations or state of affairs of the company in future years.

In the opinion of the directors there were no other 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

South Burnett Community Enterprises Limited are in the process of opening a new branch in Nanango. A feasibility study has been conducted with Bendigo Bank agreeing to a franchise agreement with South Burnett Community Enterprises Limited at Nanango. A Prospectus is currently being prepared.

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' Meetings

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

	Board Meetings Attended	
Director	Eligible	Attended
Francis Edward Smith	10	10
Ross Christopher Begent	10	9
James Alan Beveridge	10	10
David Francis Robison	10	9
David Wayne Emms	10	10
Noel Leslie Strohfeld	10	7
Brenton Lester McLennan	10	7
Jeffrey Bruce Connor	10	10
Ross Michael Towell	10	9

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.

Directors’ report (continued)

Non Audit Services (continued)

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 10.

Signed in accordance with a resolution of the board of directors at Yarraman, Queensland on 13 August 2012.

Francis Edward Smith, Chairman

James Alan Beveridge , Treasurer

Auditor's independence declaration

Partners in success

Chartered Accountants

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 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 13 August 2012

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note $	2012 $	2011
Revenues from ordinary activities	4	860,371	766,218
Employee benefits expense		(437,323)	(429,690)
Charitable donations, sponsorship, advertising and promotion		(92,991)	(77,659)
Occupancy and associated costs		(71,797)	(70,762)
Systems costs		(40,615)	(41,162)
Depreciation and amortisation expense	5	(47,751)	(44,702)
Finance costs	5	(65)	(71)
General administration expenses		(152,838)	(140,724)
Profit/(loss) before income tax (expense)/credit		**16,991**	**(38,552)**
Income tax (expense)/credit	6	(2,798)	8,542
Profit/(loss) after income tax (expense)/credit		**14,193**	**(30,010)**
Total comprehensive income for the year		**14,193**	**(30,010)**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year		1.61	(3.41)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	115,653	88,656
Trade and other receivables	8	81,529	69,725
Current tax asset	11	7,813	14,022
Total Current Assets		**204,995**	**172,403**
Non-Current Assets			
Property, plant and equipment	9	306,319	333,841
Intangible assets	10	124,377	142,373
Deferred tax assets	11	18,056	19,135
Total Non-Current Assets		**448,752**	**495,349**
Total Assets		**653,747**	**667,752**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	42,047	34,683
Provisions	14	51,370	35,229
Total Current Liabilities		**93,417**	**69,912**
Non-Current Liabilities			
Provisions	14	10,662	17,567
Total Non-Current Liabilities		**10,662**	**17,567**
Total Liabilities		**104,079**	**87,479**
Net Assets		**549,668**	**580,273**
Equity			
Issued capital	15	676,621	681,768
Accumulated losses	16	(126,953)	(101,495)
Total Equity		**549,668**	**580,273**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the Year Ended 30 June 2012

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2010	**685,110**	**(71,485)**	**613,625**
Total comprehensive income for the year	**-**	**(30,010)**	**(30,010)**
Transactions with owners in their capacity as owners:			
Shares issued during period	3,250	-	3,250
Costs of issuing shares	(6,592)	-	(6,592)
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	**681,768**	**(101,495)**	**580,273**
Balance at 1 July 2011	**681,768**	**(101,495)**	**580,273**
Total comprehensive income for the year	**-**	**14,193**	**14,193**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(5,147)	-	(5,147)
Dividends provided for or paid	-	(39,651)	(39,651)
Balance at 30 June 2012	**676,621**	**(126,953)**	**549,668**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2012

	Note $	2012 $	2011
Cash Flows From Operating Activities			
Receipts from customers		941,391	824,525
Payments to suppliers and employees		(875,972)	(811,284)
Interest received		4,184	5,565
Interest paid		(65)	(71)
Income taxes (paid)/refunded		4,490	(18,442)
Net cash provided by operating activities	**17**	**74,028**	**293**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(2,233)	(35,960)
Payments for intangible assets		-	(69,983)
Net cash used in investing activities		**(2,233)**	**(105,943)**
Cash Flows From Financing Activities			
Proceeds from issues of shares		(5,147)	3,250
Payment for share issue costs		-	(6,592)
Dividends paid		(39,651)	-
Net cash used in financing activities		**(44,798)**	**(3,342)**
Net increase/(decrease) in cash held		**26,997**	**(108,992)**
Cash and cash equivalents at the beginning of the financial year		88,656	197,648
Cash and cash equivalents at the end of the financial year	**7(a)**	**115,653**	**88,656**

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

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.

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.

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

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®** branch at Yarraman and Blackbutt Queensland.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited 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).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (contiuned)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has be exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

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 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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

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.

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

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.

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.

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.

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%.

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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.

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.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

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 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.

	2012 $	2011 $

Note 4. Revenue from Ordinary Activities

	2012 $	2011 $
Operating activities:		
- services commissions	854,803	761,435
Total revenue from operating activities	**854,803**	**761,435**
Non-operating activities:		
- interest received	5,568	4,783
Total revenue from non-operating activities	**5,568**	**4,783**
Total revenues from ordinary activities	**860,371**	**766,218**

Note 5. Expenses

	2012 $	2011 $
Depreciation of non-current assets:		
- plant and equipment	29,882	13,737
- leasehold improvements	(128)	15,301
Amortisation of non-current assets:		
- franchise agreement	2,426	2,022
- franchise establishment/renewal fee	15,571	13,642
	47,751	**44,702**
Finance costs:		
- interest paid	65	71
Bad debts	**7,441**	**3,418**

Note 6. Income Tax Expense

	2012 $	2011 $
The components of tax expense comprise:		
- Current tax	5,217	-
- Future income tax benefit attributed to losses	-	(3,435)
- Movement in deferred tax	(2,355)	(5,068)
- Recoupment of prior year tax loss	3,435	-
- Over provision of tax in the prior period	(3,499)	(39)
	2,798	**(8,542)**

	Note	2012 $	2011 $
Note 6. Income Tax Expense (continued)			
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows:			
Operating profit		16,991	(38,552)
Prima facie tax on profit from ordinary activities at 30%		5,097	(11,565)
Add tax effect of:			
- non-deductible expenses		1,200	4,699
- timing difference expenses		2,355	5,068
- other deductible expenses		-	(1,637)
		8,652	**(3,435)**
Movement in deferred tax	11	(2,355)	(5,068)
Over provision of tax in the prior period		(3,499)	(39)
		2,798	**(8,542)**

Note 7. Cash and Cash Equivalents

Cash at bank and on hand		44,956	32,830
Term deposits		70,697	55,826
		115,653	**88,656**
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			
Cash at bank and on hand		44,956	32,830
Term deposits		70,697	55,826
Bank overdraft	13	-	-
		115,653	**88,656**

Note 8. Trade and Other Receivables

Trade receivables	67,629	59,989
Other receivables and accruals	1,847	462
Prepayments	12,053	9,274
	81,529	**69,725**

	2012 $	2011 $

Note 9. Property, Plant and Equipment

	2012 $	2011 $
Plant and equipment		
At cost	98,099	95,867
Less accumulated depreciation	(39,114)	(24,479)
	58,985	**71,388**
Leasehold improvements		
At cost	294,810	294,810
Less accumulated depreciation	(47,476)	(32,357)
	247,334	**262,453**
Total written down amount	**306,319**	**333,841**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	71,388	83,032
Additions	2,232	2,093
Less: depreciation expense	(14,635)	(13,737)
Carrying amount at end	**58,985**	**71,388**
Leasehold improvements		
Carrying amount at beginning	262,453	276,756
Additions	-	999
Less: depreciation expense	(15,119)	(15,302)
Carrying amount at end	**247,334**	**262,453**
Total written down amount	**306,319**	**333,841**

Note 10. Intangible Assets

	2012 $	2011 $
Franchise fee		
At cost	72,130	72,130
Less: accumulated amortisation	(64,448)	(62,022)
	7,682	**10,108**
Establishment/Renewal processing fee		
At cost	77,853	77,853
Less: accumulated amortisation	(31,432)	(15,862)
	46,421	**61,991**
Goodwill	**70,274**	**70,274**
Total written down amount	**124,377**	**142,373**

	2012 $	2011 $

Note 11. Tax

	2012 $	2011 $
Current:		
Income tax payable/(refundable)	(7,813)	(14,022)
Non-Current:		
Deferred tax assets		
- employee provisions	18,610	15,839
- tax losses carried forward	-	3,435
	18,610	**19,274**
Deferred tax liability		
- accruals	(554)	(139)
Net deferred tax asset	**18,056**	**19,135**
Movement in deferred tax charged/(credited) to statement of comprehensive income	**1,079**	**(8,503)**

Note 12. Trade and Other Payables

	2012 $	2011 $
Trade creditors	38,747	31,383
Other creditors and accruals	3,300	3,300
	42,047	**34,683**

Note 13. Provisions

	2012 $	2011 $
Current:		
Provision for annual leave	33,671	35,229
Provision for long service leave	17,699	-
	51,370	**35,229**
Non-Current:		
Provision for long service leave	**10,662**	**17,567**
Number of employees at year end	6	6

Note 14. Contributed Equity

	2012 $	2011 $
881,128 Ordinary shares fully paid (2011: 881,128)	739,350	739,350
Less: equity raising expenses	(62,729)	(57,582)
	676,621	**681,768**

Note 14. Contributed Equity (continued)

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 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.

Note 14. Contributed Equity (continued)

Prohibited shareholding interest (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.

	2012 $	2011 $

Note 15. Retained Earnings/Accumulated Losses

	2012 $	2011 $
Balance at the beginning of the financial year	(101,495)	(71,485)
Net profit from ordinary activities after income tax	14,193	(30,010)
Dividend paid during the financial year	(39,651)	-
Balance at the end of the financial year	**(126,953)**	**(101,495)**

Note 16. Statement of Cashflows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

	2012 $	2011 $
Profit from ordinary activities after income tax	14,193	(30,010)
Non cash items:		
- depreciation	29,882	29,038
- amortisation	17,869	15,664
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(11,804)	1,502
- (increase)/decrease in other assets	7,288	(8,503)
- increase/(decrease) in payables	7,364	(1,964)
- increase in provisions	9,236	13,047
- increase/(decrease) in current tax liabilities	-	(18,481)
Net cashflows provided by operating activities	**74,028**	**293**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 17. 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	37,407	41,069
- between 12 months and 5 years	105,132	106,652
- greater than 5 years	-	-
	142,539	**147,721**

The lease on the Yarraman branch premises is a non-cancellable lease with a five-year term which expires in 2015. Annual rent is currently $33,862 plus GST.

The lease on the Blackbutt branch premises is a non-cancellable lease with a five-year term which expires in November 2012. An option to renew the lease for a further 5 term is available. Annual rent is currently $8,509 plus GST.

Note 18. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,500	4,500
- share registry services	4,064	1,897
- non audit services	5,680	6,310
	14,244	**12,707**

Note 19. Director and Related Party Disclosures

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

Francis Edward Smith

Ross Christopher Begent

James Alan Beveridge

David Francis Robison

David Wayne Emms

Noel Leslie Strohfeld

Brenton Lester McLennan

Jeffrey Bruce Connor

Ross Michael Towell

Except for James Beveridge and Ross Towell, 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 received by Beveridge Carey Accountants Pty Ltd was $22,795 (2011:$17,622).

Ross Towell is the owner/editor of Country Focus newspaper which provided advertising for the company during the financial year. During the financial year the total benefit received by Country Focus was $6,204 (2010:$3,282).

Directors' Shareholdings	**2012**	**2011**
Francis Edward Smith	11,344	11,344
Ross Christopher Begent	4,502	4,502
James Alan Beveridge	3,000	3,000
David Francis Robison	6,417	6,417
David Wayne Emms	1,336	1,336
Noel Leslie Strohfeld	2,003	2,003
Brenton Lester McLennan	22,334	22,334
Jeffrey Bruce Connor	10,667	10,667
Ross Michael Towell	-	-

There was no movement in directors' shareholdings during the year.

	2012 $	2011 $

Note 20. Dividends Paid

	2012 $	2011 $
a. Dividends paid during the year		
Current year final dividend		
100% (2011: 100%) Un franked dividend - 4.5 cents (2011: Nil) per share	39,651	-
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	13,953	18,443
- franking debits that will arise from a refund of income tax as at the end of the financial year	(7,813)	(14,022)
- 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:	6,140	4,421
- 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	**6,140**	**4,421**

Note 21. 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.

Note 22. Earnings Per Share

	2012 $	2011 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	14,193	(30,010)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	880,701	880,701

Note 23. 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 24. Contingent Liabilities

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

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Yarraman and Blackbutt, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
23 Toomey Street	23 Toomey Street
YARRAMAN QLD 4614	YARRAMAN QLD 4614

Note 27. 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					
	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 $	2011 $	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	44,555	32,388	70,697	55,826	-	-	-	-	400	442	2.39	3.88
Receivables	-	-	-	-	-	-	-	-	67,629	59,989	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	37,263	31,383	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 2012 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 AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Francis Edward Smith, Chairman

James Alan Beveridge , Treasurer

Signed on the 13th August 2012.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of South Burnett Community Enterprises Limited

Report on the financial report

We have audited the accompanying financial report of South Burnett Community Enterprises Limited, which comprises the balance sheet as at 30 June 2012, 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 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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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 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 13 August 2012

NSX report

South Burnett Community Enterprises Limited is a public Company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

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

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	189	122528
1,001 to 5,000	142	303589
5,001 to 10,000	20	146672
10,001 to 100,000	17	308339
100,001 and over	0	0
Total shareholders	**368**	**881,128**

Equity securities

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 11 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.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Mr John B Adams	34000	4
Mr Kerry Claude Wyvill	31667	3.59
Rosalie Shire Council	26667	3.03
Nathan Gordon Daly	26667	3.03
Anthony John Tilden	20000	2.27
Barry Francis Blunt & Dorothy May Blunt	20000	2.27
Fay Ellen Green	17334	1.97
John Leslie Green	17333	1.97

Ten largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Valma Goodman	15000	1.70
Mr James Norman Fowler & Mrs Elizabeth Anne Fowler	13334	1.51
Mr Paul Bernard Charlton & Mrs Janice Maree Charlton	13334	1.51
Mr Graeme Arthur Hanisch & Mrs Elizabeth Ann Hanisch	13334	1.51
John Hyslop <Hyslop Family S/Fund A/C>	13334	1.51
Malcolm Charles Finlayson & Skene Malcolm Finlayson & Michael William Finlayson <Finlaysons Founding S/F A/C>	13334	1.51
	275,338	**31**

Registered office and principal administrative office

The registered office of the company is located at:
23 Toomey Street
Yarraman Queensland 4614
Phone: (07) 41638162

The principal administrative office of the company is located at:
23 Toomey Street
Yarraman Queensland 4614
Phone: (07) 41638162

Security register

The security register (share register) is kept at:
61-65 Bull Street
BENDIGO VICTORIA 3550
Phone: (03) 5443 0344

Company Secretary

<First and Last Name> has been the company Secretary of <Name> Community Financial Services Limited for <xx> years. <First Name> qualifications and experience include . . .

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 <First and Last Names of committee members>

(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 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

	2008 $	2009 $	2010 $	2011 $	2012 $
Gross revenue	419,529	498,981	690,880	766,218	860,371
Net profit before tax	51,036	51,642	46,612	-38,552	16,991
Total assets	342,660	357,550	740,048	667,752	653,737
Total liabilities	52,998	64,192	126,423	87,479	104,079
Total equity	289,662	293,358	613,625	580,273	549,668

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
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