

Manningham
Community Enterprises Limited

Financial Statements

as at

30 June 2010

Manningham Community Enterprises Limited
ABN 69 101 174 270
Directors' Report

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:

Raymond Thomas Lord

Chairman

Age: 63

Occupation: Retired

Experience and expertise:

Raymond has thirty years experience in the sporting, community and service industries. He has significant community involvement with Horticultural Therapy, Community Radio, Children with Down Syndrome, Blind Sports Victoria, and other sporting clubs. His qualifications include a Graduate Diploma of Welfare Studies, Certificate of Business Studies (Administration & Management) and Justice of the Peace.

James Douglas Christie RFD

Director

Age: 65

Occupation: Consultant

Experience and expertise:

James brings a wealth of experience from his former career, both in Australia and overseas, as a senior executive in the retail-banking sector, . James also served as a Lieutenant Colonel in the Australian Army Reserve. He currently works as a consultant to Bendigo and Adelaide Bank Ltd mentoring both new and established Community Bank companies. He is also an elected member of the Community Bank Strategic Advisory Board and a Director of Principled Mortgage Investments Limited. He is an Affiliate of Chartered Secretaries Australia and a former Fellow of both the Australian Institute of Banking and Finance and the Australian Institute of Management.

Erica Janice Mounter

Director

Age: 66

Occupation: Accountant

Experience and expertise:

Erica is a member of the Australian Society of Accountants. Having returned to study as a mature age student, Erica achieved a Bachelor of Business with an Accounting major. Erica is currently working part time and in her spare time assists both Life Education Victoria and Templestowe Retirement Village with their accounting needs.

Raymond Bruce Barrington

Director

Age: 62

Occupation: Retail Florist

Experience and expertise:

Raymond has had 10 years banking and finance experience in ES&A and ANZ Bank. He has a wealth of experience in small business having been self employed in the family business for the past 20 years.

Daryl Lindsay George Brown

Director

Age: 66

Occupation: Accountant/Taxation Agent

Experience and expertise:

Daryl is a Certified Practicing Accountant and principal of an accounting firm specialising in small business. He is also partner in a Mortgage Broking and Asset Finance company.

Trevor Leigh Waring

Director

Age: 60

Occupation: Property Manager/Plantation Developer

Experience and expertise:

Trevor spent seven years as a City Councillor becoming Mayor in 1989-1990. His past experience includes drainage contracting, cleaning and house husband. He has a history of involvement in numerous community groups. Trevor is currently managing hardwood eucalyptus plantations for environmental benefits, carbon credits and long term sawlogs.

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Keith Crothers

Director

Age: 63

Occupation: Business Manager

Experience and expertise:

Keith has 35 years experience in the IT industry in consulting, project management and people management roles and held a senior administrative position for five years in a not-for-profit association. He is currently Business Manager for an asset management/investment company.

Geoffrey Bruce Roberts

Deputy Chairman

Age: 66

Occupation: Management Consultant/Investor

Experience and expertise:

Geoff has had over thirty five years of experience in the manufacturing, distribution, clothing and footwear industries having worked as a Senior Marketing Executive with the McPherson Group of companies, Director and CEO roles with the Yakka Group and more recently with Oliver Footwear. Whilst in these roles he sat on many Industry boards. He has significant community involvement with his work with Rotary International. His qualifications include a Graduate Diploma of Business studies and has attended many professional development programs over the years.

David James Carson

Director (Appointed 27 August 2009)

Age: 67

Occupation: Sales/Engineering

Experience and expertise:

David, married to wife Margaret for 45 years and with 3 adult children, is currently employed as a Refrigeration Sales Engineer - an industry he has been involved in for nearly 50 years. David was an inaugural member of the Templestowe Village Community Bank steering Committee, where he held the role of Deputy Chairman and permanent Board Representative to Manningham Community Enterprises Limited. Over the past several years David has served on several local community committees in Templestowe including The Thompsons Road Panel for 6 years, as a current board member of the Templestowe RSL club for the past 4 years and Templestowe Rotary Club for the past 5 years. David has also represented his local Rotary club in Rotary Australia World Community Service for the past 2 years, specialising in overseas medical aid to third world countries. David has also served on several management boards, namely the St Giles Hospital in Tasmania, on 2 school boards and JC. David has been awarded life membership to all 4.

Eileen Margaret Connon Haw

Secretary/Director (Appointed 27 August 2009)

Age: 61

Occupation: Retired

Experience and expertise:

Eileen's career background was initially as a health professional before entering into the retail trade. During the past 6 years, Eileen has been involved in the Templestowe Village as a trader, property owner and secretary of both the Templestowe Traders Association and the Templestowe Village Community Bank Steering Committee. Eileen was integral in igniting the interest in bringing Bendigo Bank to the village, an though now retired from the Traders Association and business, she is still committed to the future of Templestowe Village and the local community.

Heather Elizabeth Herbert

Director (Appointed 28 September 2009)

Age: 64

Occupation: Retired

Experience and expertise:

Heather has lived in the Manningham areas since 1965 when she and her husband, Lloyd, bought their first home. Heather has been married for 43 years and has three adult children. For more than 20 years Heather was a member of Bulleen Tennis Club and was a committee member for 15 years where she held many different positions and represented the club on several district committees and the VTA Council. From 1988 to 2001 Heather was employed at RMIT University as a Human Resources Officer, where she held various positions from part-time records clerk to Faculty Human Resources Officer. During her time at RMIT University, Heather was given the opportunity to further her studies culminating in M.App. Sc (Innovation & Service Management). In February 2008 Heather was invited to join the Templestowe Village Steering Committee and has enjoyed all the challenges involved with helping to establish a Community Bank® Branch.

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

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

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Company Secretary

The company secretary is Eileen Margaret Connon Haw, Eileen took over as Secretary from Keith Crothers, on 26 November 2009. Eileen previously had experience as a Secretary for the Templestowe Traders Association.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate a franchised branch 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 of the company for the financial year after provision for income tax was:

Year ended 30 June 2010	Year ended 30 June 2009
\$	\$
107,478	173,134

Remuneration Report

(a) Directors' Remuneration

For the year ended 30 June 2010, the directors received total remuneration including

	\$
Raymond Thomas Lord	6,000
James Douglas Christie RFD	4,500
Erica Janice Mounter	4,500
Raymond Bruce Barrington	4,500
Trevor Leigh Waring	3,000
Keith Crothers	4,500
	<u>27,000</u>

Fees and payments to non executive directors reflect the demands which are made on and the responsibilities of the directors. Non

(b) Remuneration of Executives

Remuneration package paid to the Senior Manager of the Company for the year ended 30 June 2010 was in the range \$105,000.00 - \$130,000.00 (2009: \$85,000 to \$95,000).

Dividends	Year Ended 30 June 2010 Cents	\$
Dividends paid in the year:		
- As recommended in the prior year report	11.00	71,501

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Significant Changes in the State of Affairs

During last year, the Board identified the prospect of expanding the business by the possible opening of a second Bendigo Community Bank[®] Branch in Templestowe.

The process of community consultation, which commenced in January 2009, continued during the year and included completion of a pledge process and a community feasibility study, both designed to measure the level of community support for a new Community Bank[®] in Templestowe.

After positive outcomes from this process, it was decided to seek additional capital to fund this expansion by the issuance and allocation of new shares in the company.

In order to ensure maintained equity interest of existing shareholders, an independent valuation of the company was undertaken and the Board resolved to make a bonus issue to existing shareholders, awarding 3 for 2 bonus shares for every share held as at 19th October 2009. Bonus share certificates were issued and despatched on 10th November 2009.

The Australian Securities and Investment Commission approved a prospectus developed to offer new shares in the company and this document was launched in Templestowe on 30th September 2009. The prospectus was fully subscribed and 535,450 shares at a par value of \$1.00 were allotted on 22 February 2010.

To reflect the expansion of the Bendigo Community Bank to include Templestowe, the name of the Company was changed to Manningham Community Enterprises Limited, as voted on and passed at the Extraordinary Meeting held on 12 August 2009.

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 report.

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 19 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.

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Directors Meetings

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

	Board Meetings Attended		Committee Meetings Attended			
	<i>Eligible</i>	<i>Attended</i>	Audit		Marketing	
	<i>Eligible</i>	<i>Attended</i>	<i>Eligible</i>	<i>Attended</i>	<i>Eligible</i>	<i>Attended</i>
Raymond Thomas Lord	11	9	-	-	11	9
James Douglas Christie RFD	11	6	5	3	-	-
Erica Janice Mounter	11	10	7	7	-	-
Raymond Bruce Barrington	11	9	-	-	11	10
Daryl Lindsay George Brown	11	9	7	4	-	-
Trevor Leigh Waring	11	11	-	-	11	9
Keith Crothers	11	8	-	-	-	-
Geoffrey Bruce Roberts	11	8	-	-	-	-
David James Carson	10	9	-	-	6	2
Eileen Margaret Cannon Haw	10	9	-	-	-	-
Heather Elizabeth Herbert	9	8	-	-	-	-

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.

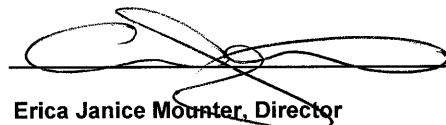
Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the board of directors at Doncaster East, Victoria on 23 September 2010.



Raymond Thomas Lord, Chairman



Erica Janice Mounter, Director

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001
to the directors of Manningham 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.



Graeme Stewart
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 23rd day of September 2010

Manningham Community Enterprises Limited
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Statement of Comprehensive Income
for the Year Ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenues from ordinary activities	4	1,481,080	1,197,210
Employee benefits expense		(677,143)	(423,056)
Charitable donations, sponsorship, advertising and promotion		(194,132)	(261,606)
Occupancy and associated costs		(162,784)	(110,278)
Systems costs		(35,653)	(21,976)
Depreciation and amortisation expense	5	(47,890)	(30,875)
Finance costs	5	(12)	(265)
General administration expenses		(204,019)	(98,203)
Profit before income tax expense		159,447	250,951
Income tax expense	6	(51,969)	(77,817)
Profit after income tax expense		107,478	173,134
Total comprehensive income for the year		107,478	173,134
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	21	4.97	26.64
- dividends paid per share	20	11	11

The accompanying notes form part of these financial statements

Manningham Community Enterprises Limited
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Balance Sheet
as at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	695,127	474,625
Trade and other receivables	8	170,419	147,035
Current tax assets	11	24,540	-
Total Current Assets		<u>890,086</u>	<u>621,660</u>
Non-Current Assets			
Property, plant and equipment	9	440,979	170,905
Intangible assets	10	107,403	50,525
Deferred tax assets	11	16,145	7,764
Total Non-Current Assets		<u>564,527</u>	<u>229,194</u>
Total Assets		<u>1,454,613</u>	<u>850,854</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	103,995	69,170
Current tax liabilities	11	-	15,544
Provisions	13	57,838	27,909
Total Current Liabilities		<u>161,833</u>	<u>112,623</u>
Non-Current Liabilities			
Provisions	13	13,327	17,668
Total Non-Current Liabilities		<u>13,327</u>	<u>17,668</u>
Total Liabilities		<u>175,160</u>	<u>130,291</u>
Net Assets		<u>1,279,453</u>	<u>720,563</u>
Equity			
Issued capital	14	1,138,759	615,846
Retained earnings	15	140,694	104,717
Total Equity		<u>1,279,453</u>	<u>720,563</u>

The accompanying notes form part of these financial statements

Manningham Community Enterprises Limited
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Statement of Changes in Equity
for the Year Ended 30 June 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	<u>627,936</u>	<u>3,084</u>	<u>631,020</u>
Total comprehensive income for the year	<u>-</u>	<u>173,134</u>	<u>173,134</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	(12,090)	-	(12,090)
Dividends provided for or paid	-	(71,501)	(71,501)
	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2009	<u><u>615,846</u></u>	<u><u>104,717</u></u>	<u><u>720,563</u></u>
 Balance at 1 July 2009	 <u>615,846</u>	 <u>104,717</u>	 <u>720,563</u>
Total comprehensive income for the year	<u>-</u>	<u>107,478</u>	<u>107,478</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	535,450	-	535,450
Costs of issuing shares	(12,537)	-	(12,537)
Dividends provided for or paid	-	(71,501)	(71,501)
	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2010	<u><u>1,138,759</u></u>	<u><u>140,694</u></u>	<u><u>1,279,453</u></u>

The accompanying notes form part of these financial statements

Manningham Community Enterprises Limited
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Statement of Cashflows
for the Year Ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		1,394,829	1,254,272
Payments to suppliers and employees		(1,166,964)	(1,051,566)
Interest received		16,133	20,325
Interest paid		(12)	(265)
Income taxes paid		(100,054)	(61,567)
Net cash provided by operating activities	16	<u>143,932</u>	<u>161,199</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(294,842)	(3,651)
Payments for intangible assets		(80,000)	-
Net cash used in investing activities		<u>(374,842)</u>	<u>(3,651)</u>
Cash Flows From Financing Activities			
Proceeds from issues of shares		535,450	-
Payment for share issue costs		(12,537)	(7,125)
Dividends paid		(71,501)	(71,500)
Net cash provided by/(used in) financing activities		<u>451,412</u>	<u>(78,625)</u>
Net increase in cash held		220,502	78,923
Cash and cash equivalents at the beginning of the financial year		474,625	395,702
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>695,127</u></u>	<u><u>474,625</u></u>

The accompanying notes form part of these financial statements

Manningham Community Enterprises Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

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, 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 Doncaster East and Templestowe, Victoria.

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 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.

Manningham Community Enterprises Limited

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**Notes to the Financial Statements
for the Year Ended 30 June 2010**

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 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.

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.

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.

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Notes to the Financial Statements
for the Year Ended 30 June 2010

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.

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Manningham Community Enterprises Limited
ABN 69 101 174 270
Notes to the Financial Statements
for the Year Ended 30 June 2010

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.

Manningham Community Enterprises Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

(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%.

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.

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.

Manningham Community Enterprises Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

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.

	2010	2009
	\$	\$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- gross margin	823,730	646,590
- services commissions	444,577	372,064
- other revenue	191,529	147,147
Total revenue from operating activities	<u>1,459,836</u>	<u>1,165,801</u>
Non-operating activities:		
- interest received	21,244	31,409
Total revenue from non-operating activities	<u>21,244</u>	<u>31,409</u>
Total revenues from ordinary activities	<u><u>1,481,080</u></u>	<u><u>1,197,210</u></u>

Manningham Community Enterprises Limited

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**Notes to the Financial Statements
for the Year Ended 30 June 2010**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	15,079	11,555
- leasehold improvements	9,689	5,532
Amortisation of non-current assets:		
- franchise agreement	23,122	13,788
	<u>47,890</u>	<u>30,875</u>
Finance costs:		
- interest paid	<u>12</u>	<u>265</u>

Note 6. Income Tax Expense/Credit

The components of tax expense comprise:		
- Current tax	60,350	93,778
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	(8,381)	(15,961)
- Recoup of prior year tax loss	-	-
	<u>51,969</u>	<u>77,817</u>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	159,447	250,951
Prima facie tax on profit from ordinary activities at 30%	47,834	75,285
Add tax effect of:		
- non-deductible expenses	6,937	4,156
- timing difference expenses	8,381	15,961
- other deductible expenses	(2,802)	(1,624)
	<u>60,350</u>	<u>93,778</u>
Movement in deferred tax	11 (8,381)	(15,961)
Under/(Over) provision of income tax in the prior year	-	-
	<u>51,969</u>	<u>77,817</u>

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	420,591	156,750
Term deposits	256,661	300,000
Security deposit	17,875	17,875
	<u>695,127</u>	<u>474,625</u>

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	420,591	156,750
Term deposits	256,661	300,000
Security deposit	17,875	17,875
	<u>695,127</u>	<u>474,625</u>

Manningham Community Enterprises Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 8. Trade and Other Receivables

Trade receivables	136,414	117,474
Other receivables & accruals	6,998	18,099
Prepayments	27,007	11,462
	<u>170,419</u>	<u>147,035</u>

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	141,978	93,480
Less accumulated depreciation	(52,736)	(42,354)
	<u>89,242</u>	<u>51,126</u>

Leasehold improvements

At cost	376,483	130,588
Less accumulated depreciation	(48,534)	(38,964)
	<u>327,949</u>	<u>91,624</u>

Motor vehicles

At cost	34,932	34,932
Less accumulated depreciation	(11,144)	(6,777)
	<u>23,788</u>	<u>28,155</u>

Total written down amount	<u>440,979</u>	<u>170,905</u>
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	51,126	54,663
Additions	48,949	3,651
Disposals	(450)	-
Less: depreciation expense	(10,384)	(7,188)
Carrying amount at end	<u>89,241</u>	<u>51,126</u>

Leasehold improvements

Carrying amount at beginning	91,624	97,156
Additions	245,896	-
Less: depreciation expense	(9,570)	(5,532)
Carrying amount at end	<u>327,950</u>	<u>91,624</u>

Motor vehicles

Carrying amount at beginning	28,155	32,522
Less: depreciation expense	(4,367)	(4,367)
Carrying amount at end	<u>23,788</u>	<u>28,155</u>

Total written down amount	<u>440,979</u>	<u>170,905</u>
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Manningham Community Enterprises Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 10. Intangible Assets

<u>Franchise fee</u>		
At cost	151,484	71,484
Less: accumulated amortisation	(74,708)	(63,071)
	<u>76,776</u>	<u>8,413</u>
 <u>Renewal processing fee</u>		
At cost	57,425	57,425
Less: accumulated amortisation	(26,798)	(15,313)
	<u>30,627</u>	<u>42,112</u>
 Total written down amount	<u>107,403</u>	<u>50,525</u>

Note 11. Tax

Current:

Income tax payable/(Refundable)	<u>(24,540)</u>	<u>15,544</u>
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Non-Current:

<u>Deferred tax assets</u>		
- accruals	2,198	2,959
- employee provisions	21,499	13,674
- tax losses carried forward	-	-
	<u>23,697</u>	<u>16,633</u>
 <u>Deferred tax liability</u>		
- accruals	2,099	5,430
- deductible prepayments	5,453	3,439
	<u>7,552</u>	<u>8,869</u>
 Net deferred tax asset	<u>16,145</u>	<u>7,764</u>
 Movement in deferred tax charged to statement of comprehensive income	<u>(8,381)</u>	<u>(15,961)</u>

Note 12. Trade and Other Payables

Trade creditors	22,172	16,060
Other creditors & accruals	81,823	53,110
	<u>103,995</u>	<u>69,170</u>

Note 13. Provisions

Current:

Provision for annual leave	38,329	27,909
Provision for long service leave	19,509	-
	<u>57,838</u>	<u>27,909</u>

Non-Current:

Provision for long service leave	<u>13,327</u>	<u>17,668</u>
 Number of employees at year end	<u>13</u>	<u>6</u>

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**Notes to the Financial Statements
for the Year Ended 30 June 2010**

Note 14. Contributed Equity

2,160,461 Ordinary shares fully paid (2009: 650,011)	1,185,461	650,011
Less: equity raising expenses DoncasterEast	(22,075)	(22,075)
Less: equity raising expenses Templestowe	(24,627)	(12,090)
	<u>1,138,759</u>	<u>615,846</u>

* 975,000 Bonus Shares were issued on 30 September 2009.

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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 346 As at the date of this report, the company had 385 shareholders.

Manningham Community Enterprises Limited

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**Notes to the Financial Statements
for the Year Ended 30 June 2010**

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.

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 15. Retained Earnings

Balance at the beginning of the financial year	104,717	3,083
Net profit from ordinary activities after income tax	107,478	173,134
Dividends paid or provided for	(71,501)	(71,500)
Balance at the end of the financial year	<u>140,694</u>	<u>104,717</u>

Note 16. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	107,478	173,134
Non cash items:		
- depreciation	24,768	17,087
- amortisation	23,122	13,788
Changes in assets and liabilities:		
- increase in receivables	(23,384)	(26,829)
- increase in other assets	(8,381)	(7,764)
- increase/(decrease) in payables	34,825	(16,200)
-increase/(decrease) in provisions	(14,496)	7,983
Net cashflows provided by operating activities	<u>143,932</u>	<u>161,199</u>

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	171,501	91,713
- between 12 months and 5 years	308,635	119,451
	<u>480,136</u>	<u>211,164</u>

The property leases on both properties are both non-cancellable leases with a five-year term, with rent payable monthly in advance.

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Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 18. Auditors' Remuneration

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

- audit & review services	4,500	4,500
- share registry services	4,419	-
- non audit services	2,882	3,184
	<u>11,801</u>	<u>7,684</u>

Note 19. Director and Related Party Disclosures

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

Raymond Thomas Lord
James Douglas Christie RFD
Erica Janice Mounter
Raymond Bruce Barrington
Daryl Lindsay George Brown
Trevor Leigh Waring
Keith Crothers
Geoffrey Bruce Roberts
David James Carson
Eileen Margaret Connon Haw
Heather Elizabeth Herbert

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

2010 **2009**

Barrington's of Doncaster, a retail florist operated by Raymond Bruce Barrington supplied goods and services to the value of

883 150

Directors Shareholdings

2010 **2009**

Raymond Thomas Lord	6,251	2,501
James Douglas Christie RFD	25,001	11,501
Erica Janice Mounter	17,001	6,001
Raymond Bruce Barrington	7,501	1,501
Daryl Lindsay George Brown	8,000	2,000
Trevor Leigh Waring	39,001	5,001
Keith Crothers	17,500	2,500
Geoffrey Bruce Roberts	5,000	-
David James Carson	15,000	-
Eileen Margaret Connon Haw	5,000	-
Heather Elizabeth Herbert	7,000	-

Manningham Community Enterprises Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 20. Dividends Paid or Provided

	2010	2009
	\$	\$
<i>Dividends paid during the year</i>		
Current year interim dividend		
Franked dividend for the year ended 2010 of 11 cents (2009: 11 cents) per share	<u>71,501</u>	<u>71,501</u>

The tax rate at which dividends have been franked is 30% (2009: 30%).

Note 21. Earnings Per Share

	2010	2009
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	107,478	173,134
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share 4.94%	2,160,461	650,011

Note 22. 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 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services in Doncaster East and Templestowe, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
900 - 902 Doncaster Road
Doncaster East VIC 3109

Principal Place of Business
900 - 902 Doncaster Road
Doncaster East VIC 3109

128 James Street
Templestowe VIC 3106

Note 26. 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	421,091	156,448	273,536	317,927	-	-	-	-	500	250	2.38	4.94	
Receivables	-	-	-	-	-	-	-	-	147,035	173,804	N/A	N/A	
Financial Liabilities													
Payables	-	-	-	-	-	-	-	-	69,170	37,285	N/A	N/A	

Manningham Community Enterprises Limited
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Directors' Declaration

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

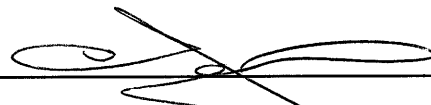
In the opinion of the directors:

- (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.



Raymond Thomas Lord, Chairman



Erica Janice Mounter, Director

Signed on the 23rd of September 2010.

INDEPENDENT AUDITOR'S REPORT

To the members of Manningham Community Enterprises Limited

We have audited the accompanying financial report of Manningham 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 Manningham 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 Manningham Community Enterprises Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



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

Dated this 23rd day of September 2010