

annual report 2010

Mount Gambier & District
Financial Services Limited
ABN 42 096 059 997

Mount Gambier **Community Bank**[®] Branch

Contents

Chairman's report	2-3
Manager's report	4
Directors' report	5-7
Financial statements	8-11
Notes to the financial statements	12-27
Directors' declaration	28
Independent audit report	29-30
Auditor's independence declaration	31
Detailed income statement	32-33

Chairman's report

For year ending 30 June 2010

It is with pleasure that I report on the further progress of Mount Gambier & District Financial Services Limited, our **Community Bank**[®] Branch, over the last financial year. With a strong and stable Board together with our excellent staff we have been able to consolidate the good result which I had the privilege to set out in my last report to the shareholders.

As a result of another strong year of trading we have been able to increase our financial support to local clubs, charities and community organizations, whilst increasing the dividend to our shareholders and also retain significant funds in cash accumulated from our operating profits.

Operating results

In the 2009/2010 year the Mount Gambier & District Financial Services Limited achieved a pre-tax profit of \$231,081 in addition to an amount of \$18,181 invested with the Community Enterprise Foundation[™]. The Community Enterprise Foundation[™] is a recognized charitable foundation set up by the Bendigo and Adelaide Bank Ltd which enables **Community Bank**[®] branch's like us to donate funds to local worthy community programs and charities which would otherwise not be tax deductible.

The runs are on the board to demonstrate our strengthening financial position since coming into pre-tax profit as follows:

2006/2007	\$2,335
2007/2008	\$11,185
2008/2009	\$196,412
2009/2010	\$231,081 (plus \$18,181)

In addition I am pleased to report that as at 30 June 2010 we held \$195,125 cash in addition to the aforementioned funds invested with the Community Enterprise Foundation[™].

I am pleased to report that our Penola Agency managed through TDC Stock Agents in Penola is growing its book which has enabled us to provide a modest, and still significant contribution to the Penola community, with every reason to expect that this will continue to grow.

In the 2009/2010 income year we invested \$49,597 by way of grants and sponsorship in our local community with a further \$14,190 invested in the community during July and August of this year. This makes the total funds provided to the Mount Gambier and district community and the Penola community \$157,787 since we opened our doors in November 2001.

Dividend payment

It is with considerable satisfaction that the Board is able to declare a further dividend to shareholders of 10% of the nominal value of our shares.

Chairman's report continued

Director's contribution

I again thank the Directors for their efforts over the past 12 months and for their steady and solid contribution. Attendances by members of the Board to State and National **Community Bank**[®] conferences continues to generate new ideas for providing and also reaping a community dividend and give meaning to our mission statement -

"Community Banking means your Community Benefits"

Since my last Chairman's report we have increased our sponsorships and grants from \$94,000 to \$157,787 and the figures speak for themselves.

Acknowledging our staff

The Board acknowledges that our staff is the back bone and the face of our **Community Bank**[®] and the Board recognises that it is through their efforts that we are now able to proudly display our Bendigo Bank Hall of Fame award for the best **Community Bank**[®] branch in SA/NT for 2009.

Comment

Nationwide, the **Community Bank**[®] model is proving to be a growing success story that the Mount Gambier and surrounding districts can be proud to be a part of.



Herman Bersee
Chairman

Manager's report

For year ending 30 June 2010

Welcome to another update from the Mt Gambier & District **Community Bank**[®] Branch staff for 2009/2010.

2009/2010 has been both a productive and challenging year for us in the **Community Bank**[®] branch we have seen many changes within the market place with interest rates increasing on home loans and the public being a little cautious with lending.

Although our overall book had dropped earlier in the financial year due to a fiercely competitive market for deposit funds, we have continued to focus on providing our customers with top quality service and excellent products. This has resulted in our branch achieving a good profit for the year and a balanced book that is steadily increasing each month.

It is an exciting time for staff, Directors and I to be able show our support for our local community through sponsorships and grants. Some of the worthwhile projects in which we are involved include providing beds for the aged, assisting sporting clubs to hire a bus to help transport young football players to games interstate, providing funds to the local pipe band for their young members to be able to access on-line lessons so that they have the same opportunities as their city counterparts, sponsoring the local arts within our region and assist the local schools in our region with projects that encourage the students to embrace learning through different avenues. We have also joined forces with Win TV to raise funds for breast cancer research and Variety Club to assist local families in need.

We have had to say farewell to Michelle B this year, as she has moved to Horsham with her husband and new son, Toby. However, we welcome Marissa back to our team after her time off to welcome a new daughter, Louredes, to her family.

Our branch team, consisting of myself, Michelle, Jo, Alisha and Marissa, together with our wonderful Business Banking team of Neville and Wendy continue to offer our clients professional service at all times and we strive to make our bank a friendly and welcoming place to visit. This service extends to our agency staff at TDC in Penola, who are able to deal with any day to day banking needs you may have.

We thank you for all the support you have given us throughout the year and we are pleased to be able to reward your faith in us with such a pleasing profit. Please remember to recommend us to your family and friends, so that we can continue to grow and contribute back to our beautiful region and its people.



Tracy Koop
Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report 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 are:

Mr. Herman Augustinus Bersee LLB

Chairman

Board Member since 28/02/2001

Mrs. Karen Lee Olive

Board Member since 29/04/2009

Mr. Edgar Malcolm Peucker

Board Member since 25/08/2004

Mr. Francis David Kaiser

Board Member since 19/11/2008

Ms. Kathryn Elizabeth Bersee

Board Member since 17/06/2009

Ms. Pauline Grieve

Secretary

Board Member since 21/02/2007

Mr. Robert James Foggo BA, ASSOC. DIP. SW

Board Member since 23/10/2002

Mr. Hendrik Jan Bruins FCA, DIP. Bus. Studies

Board Member since 22/02/2006

Mr Rodney George Summers

Board Member since 07/01/2009

Mr. David Andrew Swiggs

Board Member since 07/01/2009 -

Resigned 28/01/2010

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

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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 2010: \$179,148 2009: \$298,000.

Dividends	Year ended 30 June 2010	
	Cents per share	\$'000
Final dividends recommended:	0	0
Dividends paid in the year:		
- Interim for the year	5	23573
- As recommended in the prior year report	0	0

Directors' report continued

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after the balance date

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 providing banking services to the community.

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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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

Directors' report continued

Directors' meetings

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

Director	Board meetings
Mr. Herman Augustinus Bersee	16 (16)
Ms. Pauline Grieve	15 (16)
Mr. Hendrik Jan Bruins	13 (16)
Mr. Robert James Foggo	10 (16)
Mr. Edgar Malcolm Peucker	10 (16)
Ms. Kathryn Elizabeth Bersee	13 (16)
Mr. Francis David Kaiser	11 (16)
Mrs. Karen Lee Olive	11 (16)
Mr. Rodney George Summers	13 (16)
Mr. David Andrew Swiggs	0 (6)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Ms. Pauline Grieve has been the Company Secretary of Mount Gambier & District Financial Services Ltd for the full year. Her qualifications and experience include 4 1/2 years as legal Secretary for Herman Bersee Lawyers.

Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The Auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 31.

Signed in accordance with a resolution of the Board of Directors at Mount Gambier on 22 September 2010.



Herman Bersee
Director

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	818,673	673,759
Employee benefits expense	3	(270,451)	(227,533)
Charitable donations and sponsorship		(61,692)	(22,259)
Depreciation and amortisation expense	3	(18,846)	(19,749)
Finance costs	3	(389)	(15,094)
Other expenses from ordinary activities		(236,215)	(192,712)
Profit/(loss) before income tax expense		231,081	196,412
Income tax expense	4	51,933	(101,588)
Profit/(loss) after income tax expense		179,148	298,000
Other comprehensive income			
Revaluation of property plant and equipment		-	-
Income tax on other comprehensive income		-	-
Total comprehensive income		-	-
Earnings per share (cents per share)		¢	¢
- basic for profit / (loss) for the year	22	38.00	63.21
- diluted for profit / (loss) for the year	22	38.00	63.21
- dividends paid per share	21	5.00	2.00

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	195,325	200
Receivables	7	84,160	85,547
Other		18,391	12,566
Total current assets		297,876	98,313
Non-current assets			
Property, plant and equipment	8	38,723	45,845
Deferred tax assets	4	49,654	101,588
Intangible assets	9	14,482	8,118
Total non-current assets		102,860	155,551
Total assets		400,736	253,864
Current liabilities			
Trade and other payables	10	57,872	50,598
Loans and borrowings	11	-	26,611
Current tax payable	4	-	-
Provisions	12	14,373	9,507
Total current liabilities		72,245	86,716
Non-current liabilities			
Trade and other payables	10	6,000	-
Total non-current liabilities		6,000	-
Total liabilities		78,245	86,716
Net assets/(liabilities)		322,491	167,148
Equity			
Share capital	13	471,458	471,458
Retained earnings / (accumulated losses)	14	(148,967)	(304,310)
Total equity		322,491	167,148

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		906,492	713,085
Cash payments in the course of operations		(654,126)	(508,357)
Interest paid		(389)	(15,094)
Interest received		744	-
Income tax paid		-	-
Net cash flows from/(used in) operating activities	15b	252,721	189,634
Cash flows from investing activities			
Payment for intangible assets		(5,455)	(5,455)
Payments for property, plant and equipment		(1,725)	-
Net cash flows from/(used in) investing activities		(7,180)	(5,455)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(23,805)	(9,213)
Net cash flows from/(used in) financing activities		(23,805)	(9,213)
Net increase/(decrease) in cash held		221,736	174,966
Cash and cash equivalents at start of year		(26,411)	(201,377)
Cash and cash equivalents at end of year	15a	195,325	(26,411)

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Share capital			
Ordinary shares			
Balance at start of year		471,458	471,458
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		471,458	471,458
Retained earnings			
Balance at start of year		(304,310)	(593,097)
Profit/(loss) after income tax expense		179,148	298,000
Dividends paid		(23,805)	(9,213)
Balance at end of year		(148,967)	(304,310)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

Mount Gambier And District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 22 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the financial statements continued

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

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.5%
Plant & equipment	10-20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Notes to the financial statements continued

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

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

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

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

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

Notes to the financial statements continued

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

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Loans and borrowings

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

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.

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2010 \$	2009 \$
--	------------	------------

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	817,929	673,759
- other revenue	-	-
Total revenue from operating activities	817,929	673,759
Non-operating activities:		
- interest received	744	-
- other revenue	-	-
Total revenue from non-operating activities	744	-
Total revenue from ordinary activities	818,673	673,759

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	(236,755)	(206,422)
- superannuation costs	(21,150)	(17,240)
- post employment benefits (other than superannuation)	-	(97)
- workers' compensation costs	(1,163)	(951)
- other costs	(11,383)	(2,823)
	(270,451)	(227,533)
Depreciation of non-current assets:		
- plant and equipment	(8,846)	(9,749)
- buildings	-	-
Amortisation of non-current assets:		
- intangibles	(10,000)	(10,000)
	(18,846)	(19,749)
Finance costs:		
- Interest paid	(389)	(15,094)
Bad debts	36	(1,153)

Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	69,324	58,923
Add tax effect of:		
- Non-deductible expenses	-	-
- Prior year tax losses not previously brought to account	(17,391)	(161,928)
- Future income tax benefit not brought to account	1,244	1,417
Current income tax expense	53,177	(101,588)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 4. Income tax expense (continued)		
Origination and reversal of temporary differences	(1,244)	-
Deferred income tax expense	(1,244)	-
Income tax expense/(benefit)	51,933	(101,588)
Tax liabilities		
Current tax payable	-	-
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	49,654	101,588

Note 5. Auditors' remuneration

Amounts received or due and receivable by Galpin, Engler Bruins & Dempsey for:

- Audit or review of the financial report of the Company	5,700	2,675
- Other services in relation to the Company	7,225	8,250
	12,925	10,925

Note 6. Cash and cash equivalents

Cash at bank and on hand	195,325	200
---------------------------------	----------------	------------

Note 7. Receivables

GST receivable	13,758	8,775
Trade debtors	70,402	76,772
	84,160	85,547

Notes to the financial statements continued

	2010 \$	2009 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	150,148	148,424
Less accumulated depreciation	(111,425)	(102,579)
	38,723	45,845
Total written down amount	38,723	45,845
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	45,844	55,593
Additions	1,725	-
Disposals	-	-
Depreciation expense	(8,846)	(9,749)
Carrying amount at end of year	38,723	45,844

Note 9. Intangible assets

Franchise fee		
At cost	50,000	33,636
Less accumulated amortisation	(35,518)	(25,518)
	14,482	8,118

Note 10. Payables

Current		
Trade creditors	21,728	20,096
Franchise fees payable	6,000	-
Other creditors and accruals	30,144	30,502
	57,872	50,598
Non-current		
Franchise fees payable	6,000	-
	6,000	-

Notes to the financial statements continued

	2010 \$	2009 \$
Note 10. Payables (continued)		
(a) Financial liabilities at amortised cost classified as trade and other payables		
- Total current	57,872	50,598
- Total non-current	6,000	-
	63,872	50,598
Financial liabilities as trade and other payables	63,872	50,598

Note 11. Loans and borrowings

Bank overdraft	-	26,611
Bank loan - secured	-	-
	-	26,611

Note 12. Provisions

Unpaid declared dividend	70	70
Employee benefits	14,303	9,437
	14,373	9,507
Number of employees at year end	5	5

Note 13. Share capital

471,458 Ordinary shares fully paid of \$1 each	471,458	471,458
---	----------------	----------------

Note 14. Retained earnings/(accumulated losses)

Balance at the beginning of the financial year	(304,310)	(593,097)
Profit/(loss) after income tax	179,148	298,000
Dividends	(23,805)	(9,213)
Balance at the end of the financial year	(148,967)	(304,310)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	195,325	200
Bank overdraft	-	(26,611)
	195,325	(26,411)
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	179,148	298,000
Non cash items		
- Depreciation	8,846	9,749
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(1,358)	(31,816)
- Increase (decrease) in payables	1,303	19,094
- Increase (decrease) in provisions	72,050	(115,393)
Net cash flows from/(used in) operating activities	269,989	189,634

Note 16. Director and related party disclosures

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

Mr. Herman Augustinus Bersee	Mr. Rodney Summers
Ms. Pauline Grieve	Mr. David Swiggs
Mr. Hendrik Jan Bruins	Ms. Kathryn Bersee
Mr. Robert James Foggo	Mr. Francis Kaiser
Mr. Edgar Malcolm Peucker	Mrs Karen Olive

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Directors' shareholdings	2010	2009
Mr. Herman Augustinus Bersee	10,001	10,001
Ms. Pauline Grieve	-	-
Mr. Hendrik Jan Bruins	-	-
Mr. Robert James Foggo	200	200
Mr. Edgar Malcolm Peucker	2,000	2,000
Mr. Rodney Summers	-	-
Mr. David Swiggs	-	-
Ms. Kathryn Bersee	-	-
Mr. Francis Kaiser	3,701	3,701
Mrs Karen Olive	-	-

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

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Mount Gambier and District, South Australia.

Note 20. Corporate information

Mount Gambier And District Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

58 Commercial St East, Mount Gambier SA 5290.

Notes to the financial statements continued

	2010 \$	2009 \$
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2009: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2009: nil cents per share)	-	-
(ii) Previous year final		
Unfranked dividends - 5 cents per share (2009: 2 cents per share)	23,573	9,429
(c) Dividends proposed and not recognised as a liability		
Unfranked dividends - 10 cents per share (2009: nil cents per share)	47,146	-
(d) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	-	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	-	-

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

Dividends proposed will be franked at a rate of 30% (2009: 30%).

Notes to the financial statements continued

	2010 ¢	2009 ¢
Note 22. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.	38.00	63.21
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).	38.00	63.21
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	179,148	298,000
Weighted average number of ordinary shares for basic and diluted earnings per share	471,458	471,458

Note 23. Capital and leasing commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease statements

- not later than 12 months	29,459	28,666
- between 12 months and 5 years	9,916	39,375

The property lease is a non-cancellable lease with a five-year term, with rent payable in advance. The current lease expires in November 2011.

Rent increase as per the lease by CPI in November 2010.

An option exists to renew the lease at the end of the current five-year term for an additional term of five years.

Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010 \$	2009 \$
Cash assets	200	200
Receivables	84,160	85,547
	84,360	85,747

The Company's exposure to credit risk is limited to Australia by geographic area. The majority balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company has an established overdraft facility of \$230,000 with Bendigo and Adelaide Bank Ltd.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2010					
Payables	57,872	(57,872)	(57,872)	-	-
Loans and borrowings	6,000	-	-	-	-
	63,872	(57,872)	(57,872)	-	-
30 June 2009					
Payables	50,598	(50,598)	(50,598)	-	-
Loans and borrowings	26,611	-	-	-	-
	77,209	(50,598)	(50,598)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2010	2009
	\$	\$
Fixed rate instruments		
Financial assets	100,000	-
Financial liabilities	-	-
	100,000	-
Variable rate instruments		
Financial assets	95,125	-
Financial liabilities	-	(26,611)
	95,125	(26,611)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

Notes to the financial statements continued

Note 24. Financial risk management (continued)

(e) Capital management (continued)

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

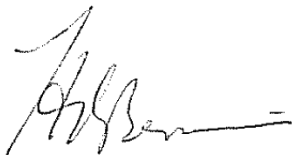
There were no changes in the Company's approach to capital management during the year.

Directors' declaration

In accordance with a resolution of the Directors of Mount Gambier and District Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.



Herman Bersee

Director

Signed at Mount Gambier on 22nd September 2010.

Independent audit report



NARACOORTE BOX 403 NARACOORTE SA 5271
TELEPHONE 08 8762 1544 FACSIMILE 08 8762 3511
EMAIL naracoorte@murraynankivell.com.au

BORDERTOWN BOX 270 BORDERTOWN SA 5266
TELEPHONE 08 8752 1360 FACSIMILE 08 8752 2993
EMAIL bordertown@murraynankivell.com.au

MILLICENT BOX 534 MILLICENT SA 5280
TELEPHONE 08 8733 3122 FACSIMILE 08 8733 2472
EMAIL millicent@murraynankivell.com.au

www.murraynankivell.com.au

MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LIMITED
ABN: 24 101 974 887
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LIMITED

We have audited the accompanying financial report of Mount Gambier & District Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company at the year's end or from time to time during the financial year.

The Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair 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 accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair 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.

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 confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Mount Gambier & District Financial Services Limited [insert date], would be in the same terms if provided to the directors as at the date of this auditor's report.

Liability limited by a scheme approved
under Professional Standards Legislation

Independent audit report continued



NARACOORTE BOX 403 NARACOORTE SA 5271
TELEPHONE 08 8762 1544 FACSIMILE 08 8762 3511
EMAIL naracoorte@murraynankivell.com.au

BORDERTOWN BOX 270 BORDERTOWN SA 5266
TELEPHONE 08 8752 1300 FACSIMILE 08 8752 2990
EMAIL bordertown@murraynankivell.com.au

MILLICENT BOX 534 MILLICENT SA 5286
TELEPHONE 08 8733 3122 FACSIMILE 08 8733 2471
EMAIL millicent@murraynankivell.com.au

www.murraynankivell.com.au

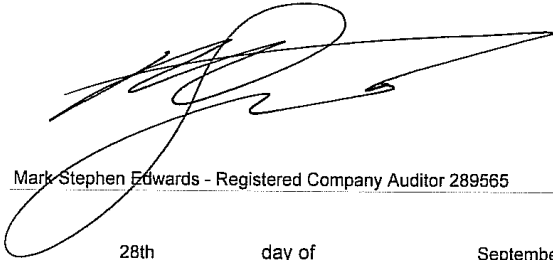
MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LIMITED
ABN: 24 101 974 887
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LIMITED

Auditor's Opinion

In our opinion the financial report of Mount Gambier & District Financial Services Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

Name of Firm: Murray Nankivell & Associates Pty Ltd

Name of Director: 
Mark Stephen Edwards - Registered Company Auditor 289565

Dated this 28th day of September 2010

Liability limited by a scheme approved
under Professional Standards Legislation

Auditor's independence declaration



NARACOORTE BOX 403 NARACOORTE SA 5271
TELEPHONE 08 8762 1544 FACSIMILE 08 8762 3511
EMAIL naracoorte@murraynankivell.com.au

BORDERTOWN BOX 270 BORDERTOWN SA 5268
TELEPHONE 08 8752 1300 FACSIMILE 08 8752 2991
EMAIL bordertown@murraynankivell.com.au

MILLICENT BOX 534 MILLICENT SA 5286
TELEPHONE 08 8733 3122 FACSIMILE 08 8733 2471
EMAIL millicent@murraynankivell.com.au

www.murraynankivell.com.au

**Under Section 307C of the Corporations Act 2001
to the Directors of Mount Gambier & District Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Murray Nankivell & Associates Pty Ltd
172 Smith St
Naracoorte SA 5270

Mark Stephen Edwards
Registered Company Auditor Number 289565

Signed on the 22nd day of September 2010

Detailed income statement

Detailed statement of comprehensive income
For the year ended 30 June 2010

	2010 \$	2009 \$
Income		
Commission received	817,929	673,759
Other income		
Interest received	744	-
Insurance recovery	-	-
Sundry	-	-
	818,673	673,759
Expenditure		
Accountancy fees	7,225	8,250
Annual leave accrual	9,866	3,730
ASIC compliance costs	1,000	1,270
Advertising & promotion	11,883	8,229
Agent commission	1,690	725
Amortisation	10,000	10,000
ATM fees	9,167	7,992
Auditors remuneration	5,700	2,675
Bank charges	500	1,034
Bad debts written off	-36	1,153
Board expenses	17,116	
Borrowing costs	0	80
Cash delivery	7,145	13,191
Cash management	396	501
Cleaning & gardening	4,612	5,294
Computer expenses	36,323	36,207
Depreciation	8,846	9,692
Donations	5,000	0
Employee's amenities	892	1,028
Fixed assets <\$300	0	202
Freight & cartage	20,305	16,985
Fringe benefit tax	3,694	135

Detailed income statement continued

	2010	2009
	\$	\$
Expenditure (continued)		
Hire of plant & equipment	73	0
Insurance	10,972	11,811
Interest paid	389	15,094
Legal costs	0	73
Light & power	5,516	4,882
Long service leave provision	1,619	374
Marketing	2,646	1,063
Other employer expenses	3,162	2,823
Outsourcing costs	176	0
Payroll services	510	635
Payroll tax	3,651	1,955
Postage	2,265	1,640
Printing & stationary	11,118	10,222
Procedural errors	(371)	(483)
Rates & taxes	1,833	1,189
Rent	28,666	27,829
Repairs & maintenance	1,029	428
Salaries & wages	236,755	206,422
Search fees	1,737	1,832
Security costs	2,091	379
Share registry	4,838	784
Sponsorship	56,692	22,259
Staff recruitment & training	6,683	6,600
Staff uniforms	3,088	2,305
Subscriptions	0	0
Sundry expenses	1,417	902
Superannuation contributions	21,149	17,240
Telephone	7,638	7,315
Travelling expenses	9,764	2,450
Workcover	1,163	951
	587,593	477,347
Net profit / (loss)	231,080	196,412

Mount Gambier **Community Bank**[®] Branch
58 Commercial Street East, Mount Gambier SA 5290
Phone: (08) 8723 3477

Franchisee: Mount Gambier & District Financial Services Limited
58 Commercial Street East, Mount Gambier SA 5290
ABN: 42 096 059 997

www.bendigobank.com.au/mtgambier
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10027) (08/10)

This Annual Report has been printed on 100% Recycled Paper