

Mount Gambier & District
Financial Services Limited

ABN 42 096 059 997

annual report 2011

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

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Chairman's report

For year ending 30 June 2011

It is with pleasure that I report again on the further progress of Mount Gambier & District Financial Services Limited, our **Community Bank**[®] branch, over the last financial year.

Operating results

The major event of significance which was concluded during this last financial year was the successful negotiation and completion of the purchase of the James Street Corporate Branch of Bendigo Bank. As has been reported widely in the community Bendigo and Adelaide Bank Ltd merged in 2008 leaving our **Community Bank**[®] branch with a competitor in the town also branded with the Bendigo Bank logo. Soon after the merger our Franchisor Bendigo and Adelaide Bank Ltd extended an invitation for our **Community Bank**[®] branch to enter into negotiations to purchase the James Street branch. The negotiations were protracted and detailed and we engaged the services of an independent consultant to value the Corporate Branch and to assist us in analysing and predicting the impact on our cash flow. The purchase completed in December 2010 has resulted in a substantial increase in operating profit and also net profit of our Company which excluding community grants, has grown to a pre-tax profit of \$283,635. Our Company has now expended the benefits of its accumulated tax losses and has incurred an income tax expense for the last financial year of \$16,451.

It is not possible to directly compare the profitability of the Commercial Street East branch and our new James Street branch without dissecting and apportioning expenses between our two branches, although I can say that the total income for the Commercial Street East for the twelve month period was \$740,578 and from the James Street branch for the just over six months since acquisition was \$545,567.

In addition I am again pleased to report that as at the 30 June 2011 we held a healthy cash reserve of \$202,447. In addition to funds invested with the Community Enterprise Foundation™ of \$13,756. We expect to use these funds to refurbish our James Street branch in order to consolidate our operations there in one branch.

Our Penola Agency managed through TDC Stock Agents in Penola has continued to grow its book enabling us to continue to provide a modest and still significant contribution to the Penola community and again with every reason to expect that this will continue to grow.

In the 2010/2011 income year we increased our community investment by way of grants and sponsorships to \$98,258 being close to double our community investment in the previous income year, increasing the total amount invested in the Mount Gambier and district and the Penola community from \$157,787 and \$256,045. This highlights the increase in the benefits our branch is providing to the community since coming into significant profit in the 2008/2009 financial year.

Dividend Payment

It is again with considerable satisfaction that the Board is able to declare a further dividend to shareholders of 10% of the nominal value of our shares and this time is able to do so for the first time fully franked.

Chairman's report continued

Directors' contribution

I again thank the Directors for their efforts over the past twelve months and particularly Deputy Chairman Henk Bruins for navigating us through the financial details of the transaction. 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”

Acknowledging our staff

The Board acknowledges that our staff is the backbone and face of our **Community Bank**[®] branch and we welcome the addition to our staff of the loyal Bendigo and Adelaide Bank Ltd employees from the James Street branch who continue to serve us and our customers in the friendly and helpful way that differentiates Mount Gambier & District **Community Bank**[®] Branch from competing banks.

Thank you for your support and keep spreading the word.



Herman Bersee
Chairman

Manager's report

For year ending 30 June 2011

Happy 10th birthday to our **Community Bank**[®] branch!

Another year has passed and once again it has been a year of many changes and challenges.

2010/2011 has been the "year of growth" for our **Community Bank**[®] branch. We are very proud of the fact that we have been able to purchase the Mount Gambier (corporate) branch of Bendigo Bank which will allow us to increase our support for our local community as we continue to grow.

In December last year, we finalised our purchase of James Street, which has grown our staffing numbers. I am sure you will find the service provided by these staff members is of the high standard that you have come to expect from the **Community Bank**[®] branch. Emma, Steph, Jenny, Amie, Abdullah and Sharlene have embraced the **Community Bank**[®] story and are just as enthusiastic about the journey we have ahead. Michelle Wallace is also currently on leave for 12 months as she has welcomed a new son, Matthew, to her family. Kristy has joined our community team in December last year with Larnka and Shannon coming on board in September. We are very lucky to have them join Jo and Alisha in Commercial Street.

I would also like to acknowledge and thank the efforts and ongoing support that Neville and Wendy give our branch with their Business Banking expertise. It is a great asset to our **Community Bank**[®] branch to be able to have a Business Banking team located in the branch that is able to offer professional solutions to our clients.

One of our proudest achievements over the past financial year is the growth in our Commercial Street portfolio by \$9.75 million from \$73 to \$82 million and an operating profit of \$181,000. The combining of our two branch portfolios now sees us as one of the largest **Community Bank**[®] branch in the state with a portfolio of \$195 million to date.

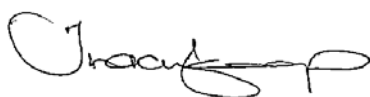
This will enable us to contribute some serious funds back into our community. Sporting, aged care, local schools, the arts and a variety of other sectors have shared in our sponsorship grants over the past 12 months. We gave also continued to support our Red Cross with volunteering of time for telecross calls and blood donations.

With ongoing support from yourselves and referrals to your family, friends and associates, I am sure we will continue to show good growth which will be of benefit to both our shareholders and our local community.

I feel very privileged to be part of our wonderful branch and I would like to take this opportunity to thank the Board for their support of myself and my team.

The staff of Mt Gambier & District **Community Bank**[®] Branch would like to thank you for your support over the past 10 years and we look forward to helping you with any banking needs you have in the future.

Remember, the **Community Bank**[®] concept means your community benefits.



Tracy Koop
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

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

Ms. Pauline Grieve

Secretary

Board Member since 21/02/2007

Mrs. Karen Lee Olive

Board Member since 29/04/2009

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

Board Member since 23/10/2002

Mr. Edgar Malcolm Peucker

Board Member since 25/08/2004

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

Board Member since 22/02/2006

Mr. Francis David Kaiser

Board Member since 19/11/2008

Mr Rodney George Summers

Board Member since 07/01/2009

Ms. Kathryn Elizabeth Bersee

Board Member since 17/06/2009

Ms. Carolyn Adams

Board Member since 23/03/2011

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 2011: \$127,632 2010: \$179,148.

Directors' report continued

Dividends	Year ended 30 June 2011	
	Cents per share	\$'000
Final dividends recommended:	10	47,146
Dividends paid in the year:		
- Interim for the year (as recommended in prior year report)	10	47,146

Significant changes in the state of affairs

In the opinion of the Directors the only significant change in the state of affairs of the Company that occurred during the financial year under review was the purchase and operation of the banking business from Bendigo and Adelaide Bank Ltd situated at James St Mount Gambier.

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	15 (16)
Ms. Pauline Grieve	14 (16)
Mr. Hendrik Jan Bruins	16 (16)
Mr. Robert James Foggo	10 (16)
Mr. Edgar Malcolm Peucker	8 (16)
Ms. Kathryn Elizabeth Bersee	13 (16)
Mr. Francis David Kaiser	9 (16)
Mrs. Karen Lee Olive	14 (16)
Mr. Rodney George Summers	13 (16)
Ms. Carolyn Jane Adams	3 (5)

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 5 1/2 years as legal Secretary for Herman Bersee Lawyers.

Corporate governance

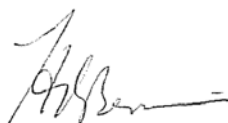
The Company has implemented various corporate governance practices, which include:

- (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 2011 has been received and can be found on page 32.

Signed in accordance with a resolution of the Board of Directors at Mount Gambier on 21 September 2011.



Herman Bersee, Director

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from ordinary activities	2	1,312,742	818,673
Employee benefits expense	3	(521,050)	(270,451)
Charitable donations and sponsorship		(80,363)	(61,692)
Depreciation and amortisation expense	3	(22,766)	(18,846)
Finance costs	3	(123,611)	(389)
Other expenses from ordinary activities		(365,805)	(236,214)
Profit/(loss) before income tax expense		199,147	231,081
Income tax expense	4	71,820	51,933
Profit/(loss) after income tax expense		127,327	179,148
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	27.01	38.00
- diluted for profit / (loss) for the year	22	27.01	38.00
- dividends paid per share	21	10.00	5.00

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	202,447	195,325
Receivables	7	191,236	84,160
Prepayments	8	5,044	18,391
Total current assets		398,727	297,876
Non-current assets			
Property, plant and equipment	9	118,557	38,723
Deferred tax assets	4	6,307	49,654
Intangible assets	10	2,772,176	14,482
Total non-current assets		2,897,040	102,859
Total assets		3,295,767	400,735
Current liabilities			
Trade and other payables	11	164,196	57,871
Loans and borrowings	12	2,679,331	-
Current tax payable	4	28,474	-
Provisions	13	15,976	14,373
Total current liabilities		2,887,977	72,244
Non-current liabilities			
Provisions	13	5,118	-
Trade and other payables	11	-	6,000
Total non-current liabilities		5,118	6,000
Total liabilities		2,893,095	78,244
Net assets/(liabilities)		402,672	322,491
Equity			
Share capital	14	471,458	471,458
Retained earnings / (accumulated losses)	15	(68,786)	(148,967)
Total equity		402,672	322,491

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,610,302	906,492
Cash payments in the course of operations		(1,245,139)	(654,126)
Interest paid		(1,115)	(389)
Interest received		5,679	744
Income tax paid		-	-
Net cash flows from/(used in) operating activities	16b	369,727	252,721
Cash flows from investing activities			
Payment for intangible assets		(2,779,694)	(5,455)
Payments for property, plant and equipment		(92,600)	(1,725)
Net cash flows from/(used in) investing activities		(2,872,294)	(7,180)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Interest paid		(122,496)	
Proceeds from borrowings		2,700,000	-
Repayment of borrowings		(20,669)	-
Dividends paid		(47,146)	(23,805)
Net cash flows from/(used in) financing activities		2,509,689	(23,805)
Net increase/(decrease) in cash held		7,122	221,736
Cash and cash equivalents at start of year		195,325	(26,411)
Cash and cash equivalents at end of year	16a	202,447	195,325

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
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		(148,967)	(304,310)
Profit/(loss) after income tax expense		127,327	179,148
Dividends paid		(47,146)	(23,805)
Balance at end of year		(68,786)	(148,967)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 21 September 2011.

(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 2010 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.

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.

Notes to the financial statements continued

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

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.

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

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.

The goodwill from the purchase of the James Street branch of Bendigo and Adelaide Bank Ltd, has been initially recorded at cost.

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).

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.

Notes to the financial statements continued

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

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.

	2011 \$	2010 \$
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	1,286,145	817,929
- other revenue	-	-
Total revenue from operating activities	1,286,145	817,929
Non-operating activities:		
- interest received	5,679	744
- other revenue	20,918	-
Total revenue from non-operating activities	26,597	744
Total revenue from ordinary activities	1,312,742	818,673

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	(431,464)	(236,755)
- superannuation costs	(36,279)	(21,150)
- post employment benefits (other than superannuation)	-	-
- workers' compensation costs	(2,099)	(1,163)
- other costs	(51,208)	(11,383)
	(521,050)	(270,451)
Depreciation of non-current assets:		
- plant and equipment	(12,766)	(8,846)
- buildings	-	-
Amortisation of non-current assets:		
- intangibles	(10,000)	(10,000)
	(22,766)	(18,846)
Finance costs:		
- Interest paid	(123,611)	(389)
Bad debts	(17)	36

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%	59,744	69,324
Add tax effect of:		
- Non-deductible expenses	1,934	-
- Prior year tax losses not previously brought to account	-	(17,391)
- Future income tax benefit not brought to account	-	1,244
- Adjustment of prior year tax losses	12,076	-
Current income tax expense	73,754	53,177
Origination and reversal of temporary differences	(1,934)	(1,244)
Deferred income tax expense	(1,934)	(1,244)
Income tax expense/(benefit)	71,820	51,933

Notes to the financial statements continued

	2011 \$	2010 \$
Note 4. Income tax expense (continued)		
Tax liabilities		
Current tax payable	28,474	-
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.	6,307	49,654

Note 5. Auditors' remuneration

Amounts received or due and receivable

- Audit or review of the financial report of the Company	6,440	5,700
- Other services in relation to the Company	-	-
	6,440	5,700

Note 6. Cash and cash equivalents

Cash at bank and on hand	202,447	195,325
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Note 7. Receivables

GST receivable	34,444	13,758
Trade debtors	156,792	70,402
	191,236	84,160

Note 8. Prepayments

Prepaid expense	4,796	18,391
Prepaid borrowing costs	248	-
	5,044	18,391

Notes to the financial statements continued

	2011 \$	2010 \$
Note 9. Property, plant and equipment		
Plant and equipment		
At cost	242,748	150,148
Less accumulated depreciation	(124,191)	(111,425)
	118,557	38,723
Total written down amount	118,557	38,723
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	38,723	45,844
Additions	92,600	1,725
Disposals	-	-
Depreciation expense	(12,766)	(8,846)
Carrying amount at end of year	118,557	38,723

Note 10. Intangible assets

Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(45,517)	(35,518)
	4,483	14,482
Goodwill		
At cost	2,767,693	-
	2,772,176	14,482

Note 11. Payables

Current		
Trade creditors	101,765	21,727
Franchise fees payable	-	6,000
Other creditors and accruals	62,431	30,144
	164,196	57,871

Notes to the financial statements continued

	2011 \$	2010 \$
Note 11. Payables (continued)		
Non-current		
Franchise fees payable	-	6,000
	-	6,000
(a) Financial Liabilities at amortised cost classified as trade and other payables		
- Total current	103,985	30,141
- Total non-current	-	6,000
	103,985	36,141
Financial liabilities as trade and other payables	103,985	36,141

Note 12. Loans and borrowings

Bank overdraft	-	-
Bank loan - secured	2,679,331	-
	2,679,331	-

Note 13. Provisions

Current		
Unpaid declared dividend	70	70
Employee benefits	15,906	14,303
	15,976	14,373
Non-Current		
Employee benefits	5,118	-
	5,118	-
	21,094	14,373
Number of employees at year end	5	5

Note 14. Share capital

471,458 ordinary shares fully paid of \$1 each	471,458	471,458
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 15. Retained earnings / (accumulated losses)		
Balance at the beginning of the financial year	(148,967)	(304,310)
Profit/(loss) after income tax	127,327	179,148
Dividends	(47,146)	(23,805)
Balance at the end of the financial year	(68,786)	(148,967)

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	202,447	195,325
Bank overdraft	-	-
	202,447	195,325

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

Profit / (loss) after income tax	127,327	179,148
Interest relating to financing activities	122,497	
Non cash items		
- Depreciation	12,766	8,846
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(107,075)	(1,358)
- Increase (decrease) in payables	125,670	1,303
- Increase (decrease) in provisions	78,542	54,782
Net cash flows from/(used in) operating activities	369,727	252,721

Note 17. 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	Ms. Carolyn Adams
Mr. Hendrik Jan Bruins	Ms. Kathryn Bersee
Mr. Robert James Foggo	Mr. Francis Kaiser
Mr. Edgar Malcolm Peucker	Mrs Karen Olive

Notes to the financial statements continued

Note 17. Director and related party disclosures (continued)

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.

Directors' shareholdings	2011	2010
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	-	-
Ms. Carolyn Adams	-	-
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 18. Subsequent events

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

Note 19. Contingent liabilities

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

Note 20. 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 21. 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,
South Australia, 5290.

Notes to the financial statements continued

	2011 \$	2010 \$
Note 22. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2010: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2010: nil cents per share)	-	-
(ii) Previous year final		
Unfranked dividends - 10 cents per share (2010: 5 cents per share)	47,146	23,573
(c) Dividends proposed and not recognised as a liability		
Unfranked dividends - nil cents per share (2010: 10 cents per share)	-	47,146
Franked dividends -10 cents per share (2010: 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	28,474	-
- 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	-	-
	28,474	-

The tax rate at which dividends have been franked is 30% (2010: 30%).

Dividends proposed will be franked at a rate of 30% (2010: 30%).

Notes to the financial statements continued

	2011	2010
	¢	¢

Note 23. 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.

27.01	38.00
-------	-------

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).

27.01	38.00
-------	-------

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	127,327	179,148
Weighted average number of ordinary shares for basic and diluted earnings per share	471,458	471,458

	2011	2010
	\$	\$

Note 24. 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	9,877	29,459
- between 12 months and 5 years	-	9,916

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 2011.

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

Note 25. 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 25. 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	
	2011	2010
	\$	\$
Cash assets	200	200
Receivables	191,236	84,160
	191,436	84,360

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 (2010: 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.

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

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2011					
Payables	164,196	(164,196)	(164,196)	-	-
Loans and borrowings	2,679,331	(2,679,331)	(250,332)	(1,001,328)	(1,427,671)
	2,843,527	(2,843,527)	(414,528)	(1,001,328)	(1,427,671)
30 June 2010					
Payables	57,871	(57,871)	(57,871)	-	-
Loans and borrowings	6,000	-	-	-	-
	63,871	(57,871)	(57,871)	-	-

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount	
	2011 \$	2010 \$
Fixed rate instruments		
Financial assets	100,000	100,000
Financial liabilities	-	-
	100,000	100,000

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount	
	2011	2010
	\$	\$
Variable rate instruments		
Financial assets	102,247	95,125
Financial liabilities	-	-
	102,247	95,125

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 2010 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.

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%.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(e) Capital management (continued)

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 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 2011 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 2011.



Herman Bersee, Director

Signed at Mount Gambier on 21 September 2011.

Detailed financials

Detailed statement of comprehensive income for the year ended 30 June 2011

	2011 \$	2010 \$
Income		
Commission received	1,286,145	817,929
Other income		
Interest received	5,679	744
Insurance recovery	-	-
Rent received	20,918	-
Sundry	-	-
	1,312,742	818,673
Expenditure		
Accountancy fees	15,950	7,225
Annual leave accrual	24,797	9,866
Asic compliance costs	1,029	1,000
Advertising & promotion	24,823	11,883
Agent commission	1,570	1,690
Amortisation	10,000	10,000
Atm fees	17,136	9,167
Auditors remuneration	6,440	5,700
Bank charges	540	500
Bad debts written off	(17)	(36)
Board expenses	6,874	17,116
Borrowing costs	33	-
Cash delivery	2,357	7,145
Cash management	534	396
Cleaning & gardening	9,893	4,612
Community grants	80,363	56,692
Computer expenses	54,093	36,323
Depreciation	12,766	8,846
Donations	-	5,000

Detailed financials continued

	2011 \$	2010 \$
Expenditure (continued)		
Employee's amenities	1,070	892
Fixed assets <\$300	86	-
Freight & cartage	35,646	20,305
Fringe benefit tax	575	3,694
Hire of plant & equipment	-	73
Insurance	13,533	10,972
Interest paid	123,611	389
Lease / rent office equipment	1,206	-
Legal costs	73	-
Light & power	14,534	5,516
Long service leave provision	19,079	1,619
Marketing	1,882	2,646
Other employer expenses	7,332	3,162
Outsourcing costs	-	176
Payroll services	550	510
Payroll tax	16,303	3,651
Postage	9,373	2,265
Printing & stationary	17,293	11,118
Procedural errors	182	(371)
Rates & taxes	5,543	1,833
Rent	64,628	28,666
Repairs & maintenance	4,401	1,029
Salaries & wages	431,464	236,755
Search fees	2,676	1,737
Security costs	1,230	2,091
Share registry	2,353	4,838
Staff recruitment & training	7,882	6,683
Staff uniforms	1,682	3,088
Subscriptions	118	-
Sundry expenses	1,805	1,417

Detailed financials continued

	2011	2010
	\$	\$
Expenditure (continued)		
Superannuation contributions	36,279	21,149
Telephone	10,625	7,638
Travelling expenses	9,302	9,764
Workcover	2,098	1,163
	1,113,595	587,593
Net profit / (loss)	199,147	231,080

Auditor's independence declaration



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MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD
ABN 42 096 059 997

AUDITOR'S INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF
MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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.

Mark Stephen Edwards
Chartered Accountant
172 Smith Street
Naracoorte, SA, 5271



Mark Stephen Edwards

Registered Auditor No. 289565

26 August 2011

Liability limited by a scheme approved
under Professional Standards Legislation

Independent audit report



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MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD
ABN 42 096 059 997

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
MOUNT GAMIBER & DISTRICT FINANCIAL SERVICES LTD**

Report on the Financial Report

We have audited the accompanying financial report of Mount Gambier & District Financial Services Ltd (the company) which comprises the balance sheet as at 30 June 2011 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration.

Director's Responsibility for the Financial Report

The director of the company is responsible for the preparation and fair 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 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 director 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.

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Independent audit report continued



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MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD
ABN 42 096 059 997

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
MOUNT GAMIBER & DISTRICT FINANCIAL SERVICES LTD

Independence

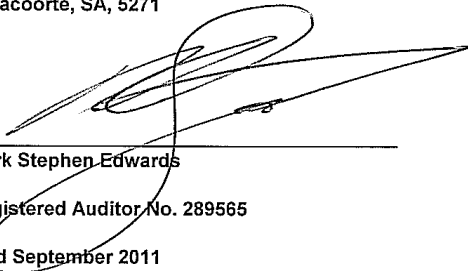
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the director of Mount Gambier & District Financial Services Ltd on 26 August 2011, would be in the same terms if provided to the director as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- a. The financial report of Mount Gambier & District Financial Services Ltd is in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Mark Stephen Edwards
Chartered Accountant
172 Smith Street
Naracoorte, SA, 5271



Mark Stephen Edwards

Registered Auditor No. 289565

23rd September 2011

Liability limited by a scheme approved
under Professional Standards Legislation

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16 James Street, Mount Gambier SA 5290
Phone: (08) 8726 3200

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.
(BMPAR11064) (08/11)

