Contents

Our Mission Statement

To be a leader in the provision of banking services to Mukinbudin and surrounding districts and to return profits generated back to the local communities.

Company Objectives

To provide Shareholders and the community with a quality banking service, to observe best practice business ethics, and a safe workplace for employees. To pursue our mission statement we will communicate with our local community and seek their support in achieving our goals.

Chairperson's Report

For the year ended 30 June 2010

Current Position

Despite the present adverse seasonal conditions, being the driest year on record, it is with great jubilation that I, on behalf of the Board, announce that your local **Community Bank** Branch has finally moved into profit.

A year's end increase of $5 million in total portfolio, which followed on from last year's $5 million increase, has now resulted in a total portfolio of $40.6 million.

Acknowledgements

I would like to firstly acknowledge Tara Chambers and her team of Stacey Manuel and Stella Underwood for their continual dedication and commitment to our banking business, which has been the chief reason behind your company's profitable status.

Secondly, I would acknowledge Steve Lange in his capacity as Company Secretary / Treasurer and Director;- without Steve's tireless efforts this achievement would not have been possible.

Thirdly, I would acknowledge John Lombardini. Last year, John agreed to continue as a Director for another 12 months, in order to provide stability and additional financial expertise to the Board. He has done that, and so as he steps down from the Board, I would like to say thank you. I would also acknowledge the present Board, for their continual commitment and support, in guiding your company to profit.

Finally, I would like to acknowledge previous Board members, who over a twelve year period, continued to believe in this model of banking. Despite never achieving profit in their term, they laid foundations that provided the opportunity for their vision to be realised.

Administration

As previously mentioned Steve Lange has continued his role as Company Secretary and Treasurer with distinction, and Debbie Shadbolt has continued to work diligently as Board Secretary.

Staff

Branch Manager, Tara Chambers has continued to excel, along with her team of enthusiastic helpers in Stacey Manuel and Stella Underwood, without whom this achievement of profitability would not have been possible.

Agencies

The Beacon agency has operated effectively and profitably under Tara's supervision. We are grateful for Beacon Central Community Resource Centre for its contribution to a successful operation.

Future

The Board is committed to current and future growth. An ATM has now been installed as a gesture of appreciation for the community's past support. We recognise there is still much to do in growing your business, and we are constantly considering initiatives that will achieve this, and would value the community's ongoing support.

The Board would like to thank Bendigo and Adelaide Bank staff for their continued support, and our customers in helping your company to grow.

Stephen Sprigg
Chairman

Bendigo Bank Limited Report

For year ending 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Russell Jenkins
Chief General Manager

Directors' Report

Your Directors present their report together with the financial report of the Company for the year ended 30 June 2010.

Directors

The names of directors in office at any time during or since the end of the year are:

Stephen Garth Sprigg

- *Board Position:* Chairman
- *Occupation:* Farmer
- *Background Information*: Born and raised in Bonnie Rock, Stephen has 30 years experience in the Primary Production industry. Between 1980 and 1993 Stephen owned and operated Exploration Contracting Company which discovered several major gold deposits and co-developed Tarmoola Gold Project JV with Mount Edon Goldmines Australia. He has had much past experience as a director.
- Stephen is committed to financially and socially enhancing our wheatbelt communities.

Steven Leslie Lange

- *Board Position:* Non-Executive Director
- *Occupation:* Business Proprietor, Grocer
- *Background Information*: Steven returned to Mukinbudin 14 years ago to purchase "Muka Mart", which has since become "Foodland", "Supa-Value" and now "IGA Mukinbudin". Previously he has had 21 years experience in the banking industry, including seven years as Branch Manager. He holds a Certificate of Management. Steven was a member of the original steering committee formed to open the Bendigo Bank branch in Mukinbudin and has been on the Board since.
- He sees a Bendigo franchise as the best way for the community to become financially independent of government funding and continue to thriving.

John Felix Lombardini

- *Board Position:* Non-Executive Director
- *Occupation:* Machinery Dealership Manager and Business partner at Hutton & Northey Sales Group
- *Background Information*: John was in banking for 15 years, which included three years experience as an Agribusiness Manager at Westpac/Challenge Bank. John has been on several committees, however being on the Mukinbudin Community Financial Services Board is his first experience as a director.
- John is very supportive in the promotion of bringing back professional services to local communities like Mukinbudin.

Steven Allan Smith

- *Board Position:* Non-Executive Director
- *Occupation:* Builder
- *Background Information:* Steven came to Mukinbudin in 1996 and worked for three years with a local farmer before starting his own building and maintenance business in 1999. He is involved in community sporting activities including as hockey and squash.
- As a Director, Steven believes in growing and promoting our own bank.

Directors' Report

Debbie Maree Shadbolt

- *Board Position:* Non-Executive Director
- *Occupation:* Farmer
- *Background Information:* Debbie has lived in Mukinbudin for the past 30 years and is married with four children. She has 20 years experience in the Primary Production industry and is involved in community activities such as netball, tennis and also the Mukinbudin Planning & Development committee.
- Debbie joined the board knowing that it is not just a bank. She takes pride in the fact that the bank is community owned and that a percentage of the profits generated is returned to the community.

Susan Geraghty

- *Board Position:* Non-executive Director
- *Appointment Date:* 9 December 2008
- *Occupation:* Farmer
- *Background Information:* Sue came to live in Mukinbudin in 1976 after marrying her husband. She has been heavily involved in the community since then, being on the Anglican Church Board for 15 years and also the Mukinbudin District High School council. Sue has also been involved in the hockey club and golf club, including being the President of the Central Wheatbelt Women's Golf Association.
- Her wish is to see Mukinbudin Financial Services grow into a profitable and expanding business for the Mukinbudin & surrounding districts communities.

Jennifer Barbara Bunce

- *Board Position:* Non-Executive Director
- *Appointment Date:* 9 December 2008
- *Occupation:* Bus driver, Caravan Park Manager and Community Volunteer
- *Background Information:* Jenni is very active in the community of Beacon being heavily involved in sports such as hockey, football and bowls, taking on positions such as president, secretary and treasurer. She is currently a newspaper editor, Beacon Telecentre secretary/treasurer and also the Beacon Progress Association treasurer. Jenni has also been a councillor on the Mt Marshall Shire.
- Jennie joined the board as a representative of the Beacon Telecentre Agency and also because of her belief in and support of community banks.

Paul Edward Smith

- *Board Position:* Non-Executive Director
- *Occupation:* Farmer
- *Background Information:* Paul came out from England at age six and has lived in Mukinbudin since then. He has been involved in community sports such as hockey, football, tennis and bowls.
- Paul is on the board to provide a service that is sustainable and profitable, and which benefits and meets the needs of the Mukinbudin community.

Stephen John Paterson

- *Board Position:* Non-Executive Director
- *Occupation:* Business Proprietor

John Douglas O'Neil

- *Board Position:* Non-Executive Director
- *Occupation:* Farmer
- *Background Information:* Over the years John has been actively involved in the Mukinbudin P&C Committee, tennis, football and golf clubs, and the Ninghan Farm Focus group. He has also sat on the International Rural Exchange, including a time as Vice President. John holds a Bachelor of Business, majoring in Agriculture. John is a 4th generation Mukinbudin farmer. John joined the Board as he has a keen interesting in being involved in community enterprises, particularly focusing on the future big picture.

Directors' Report continued

Company Secretary

Steven Leslie Lange (Appointed 8 December 2007)

Directors Meetings Attended

During the financial year 11 meetings of Directors were held. Attendances by each director during the year were:

	Number eligible to attend	Number attended
Steven Lange	11	10
John Lombardini	11	7
Debbie Shadbolt	11	7
Stephen Sprigg	11	11
Steven Smith	11	8
Paul Smith	11	6
Stephen Paterson	11	0
John O'Neil	11	9
Susan Geraghty	11	10
Jennifer Bunce	11	5

Principal Activity and Review of Operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo Bank, pursuant to a franchise agreement.

Operating Results

The profit of the Company after providing for income tax amounted to $25,094.

Dividends Paid of Recommended

The Company did not pay or declared any dividends during the year.

Financial Position

The net liabilities of the Company have decreased from ($147,424) as at 30 June 2009 to ($122,330) as at 30 June 2010, which is an improvement on prior year due to the improved operating performance of the Company.

The directors believe the Company is heading towards a stable financial position.

Significant Changes in 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 these financial statements.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year that 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 financial years.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Remuneration Report

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors or Executives

No income was paid or was payable or otherwise made available, to the Directors or Executives of the Company during the years ended 30 June 2010 and 30 June 2009.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year. In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and Executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company. The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying Officers or Auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

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

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-Audit Services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Directors' Report continued

The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

Taxation services:	$5,210

Auditor's Independence Declaration

A copy of the auditor's independence declaration is included within the financial statements.
This report is signed in accordance with a resolution of the Board of Directors.

Director

Dated this	28th	day of	September	2010

RSM Bird Cameron Partners
Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial statements of Mukinbudin Community Financial Services Limited for the financial year ended 30 June 2010 there have been no contraventions of:

a. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

b. any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM Bird Cameron Partners
Chartered Accountants

David Wall

Perth, Western Australia

David Wall
Partner

Date: 28 September 2010

'Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

Financial Statements

Income Statement
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue	2	380,754	315,605
Employee benefits expense		(191,458)	(198,370)
Depreciation and amortisation expense		(10,760)	(10,760)
Finance costs		(12,486)	(12,263)
Other expenses	3	(140,956)	(118,690)
Profit/Loss before income tax		25,094	(24,478)
Income tax expense	4	-	-
Profit/Loss attributable to members		**25,094**	**(24,478)**
Earnings per share			
Basic earnings per share (cents per share)		6.17	(6.02)
Diluted earnings per share (cents per share)		6.17	(6.02)

The accompanying notes form part of these financial statements

Balance Sheet
For the year ended 30 June 2010

	Note	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	6	-	-
Trade and other receivables	7	37,752	31,516
Other current assets	8	5,227	2,647
TOTAL CURRENT ASSETS		42,979	34,163
NON-CURRENT ASSETS			
Property, plant and equipment	9	1,976	2,736
Intangible assets	10	17,150	27,150
TOTAL NON-CURRENT ASSETS		19,126	29,886
TOTAL ASSETS		**62,105**	**64,049**
CURRENT LIABILITIES			
Trade and other payables	11	50,860	49,307
Financial liabilities	12	111,264	134,838
Short-term provisions	13	9,031	12,703
TOTAL CURRENT LIABILITIES		171,155	196,848
NON-CURRENT LIABILITIES			
Financial liabilities	12	13,280	14,625
TOTAL NON-CURRENT LIABILITIES		13,280	14,625
TOTAL LIABILITIES		**184,435**	**211,473**
NET ASSETS		**(122,330)**	**(147,424)**
EQUITY			
Issued capital	14	399,201	399,201
Accumulated losses		(521,531)	(546,625)
TOTAL EQUITY		**(122,330)**	**(147,424)**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2010

	Share Capital (Ordinary shares)	Accumulated losses	Total
	$	$	$
Balance at 1 July 2008	399,201	(522,147)	(122,946)
Loss attributable to the members of the Company	-	(24,478)	(24,478)
Balance at 30 June 2009	**399,201**	**(546,625)**	**(147,424)**
Balance at 1 July 2009	399,201	(546,625)	(147,424)
Loss attributable to the members of the Company	-	25,094	25,094
Balance at 30 June 2010	**399,201**	**(521,531)**	**(122,330)**

The accompanying notes form part of these financial statements

Cashflow Statement
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		374,518	315,540
Payments to suppliers and employees		(337,113)	(333,768)
Finance costs		(12,486)	(12,263)
Net cash provided by operating activities	15	24,919	(30,491)
Cash flows from financing activities			
Repayment of borrowings		(1,453)	(1,354)
Net cash used in financing activities		(1,453)	(1,354)
Net increase in cash held		23,466	(31,845)
Cash held at the beginning of the financial year		(131,622)	(99,777)
Cash held at the end of the financial year	**6**	**(108,156)**	**(131,622)**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company as an individual entity. The Company is a public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company earned a profit of $25,094 and had net cash inflows from operating activities of $24,919 for the year ended 30 June 2010. As at that date the company had net current liabilities of $128,176 and net liabilities of $122,330.

The Directors believe that it is reasonably foreseeable that the company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1. The company recognises that losses will be incurred during the start up phase of the business and while market access is being developed;
2. The business activities are supported by Bendigo and Adelaide Bank Ltd, including assistance with the preparation and review of the company's annual cash flow budgets;
3. Bendigo and Adelaide Bank Ltd has confirmed that it currently provides working capital by way of an overdraft facility for $220,000; and
4. The provision of additional funding by Bendigo and Adelaide Bank Ltd is dependent upon the company fulfilling its ongoing responsibilities under the Franchise Agreement and continuing to work closely with Bendigo and Adelaide Bank Ltd management to further develop the business. The company believes that it is fulfilling these responsibilities.

1. Statement of significant accounting policies (continued)

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

1. Statement of significant accounting policies (continued)

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.
The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

1. Statement of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

v. Financial Liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in air value are taken to the income statement unless they are designated as hedges.

The Company does not hold any derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all un securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

Impairment losses are recognised in the income statement.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

Notes to the Financial Statements continued

1. Statement of significant accounting policies (continued)

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

1. Statement of significant accounting policies (continued)

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

1. Statement of significant accounting policies (continued)

(n) Critical accounting estimates and judgments (continued)

Key estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2010. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2010 amounting to $17,150.

(o) Adoption of New and Revised Accounting Standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Company.

AASB 8: Operating Segments
In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Company's financial statements.

Measurement impact
Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

1. Statement of significant accounting policies (continued)

(o) Adoption of New and Revised Accounting Standards (continued)

The adoption of the ‘management approach’ to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the ‘management approach’, whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment’s goodwill
AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer’s CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements
In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company’s financial statements.

Disclosure impact
Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

1. Statement of significant accounting policies (continued)

(o) Adoption of New and Revised Accounting Standards (continued)

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(p) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013). These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements. The changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

1. Statement of significant accounting policies (continued)

(p) New Accounting Standards for Application in Future Periods (continued)

- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011). This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010). These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010). These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

1. Statement of significant accounting policies (continued)

(p) New Accounting Standards for Application in Future Periods (continued)

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010). These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Company.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011). This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Company.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010). This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011). This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010). This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments.

1. Statement of significant accounting policies (continued)

(p) New Accounting Standards for Application in Future Periods (continued)

The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

(q) Authorisation for financial report

The financial report was authorised for issue on 28 September 2010 by the Board of Directors.

		2010 $	2009 $
2.	**Revenue**		
	Franchise margin income	380,754	315,605
		380,754	**315,605**
3.	**Expenses**		
	Advertising and marketing	8,237	4,239
	Bad debts	139	548
	Community sponsorship and donations	11,621	5,994
	Freight and postage	6,545	7,046
	Insurance	10,848	9,952
	IT leasing and running costs	21,606	23,366
	Occupancy running costs	6,474	6,230
	Printing and stationery	4,955	5,069
	Rental on operating lease	7,422	4,750
	Other operating expenses	63,109	51,496
		140,956	**118,690**
	Remuneration of the auditors of the Company		
	Audit services	6,800	6,600
	Other Services	5,210	4,700
		12,010	**11,300**

	2010 $	2009 $

4. Income tax expense

No income tax is payable by the Company as it has recouped tax losses previously bought to account for income tax purposes.

a. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2009: 30%)	7,528	(7,343)
Add:		
Tax effect of:		
— non-deductible depreciation and amortisation	3,000	3,000
1. other non-allowable items	20	5,218
Less:		
Tax effect of:		
— recoupment of prior year tax losses not previously brought to account	(10,548)	
— other allowable items		(875)
Income tax attributable to entity	-	-

At balance date, the company had tax losses of $377,563 (2009: $410,489) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $113,269 (2009: $123,147). This benefit has not been recognised as an asset in the statement of financial position as there is not a high probability of its realisation. The benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised.
- The Company continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the Company in realising the benefit from the deduction of the losses.

5. Key management personnel compensation

a. Names and positions

Name	*Position*
Steven Lange	Non-Executive Director / Company Secretary
John Lombardini	Non-Executive Director
Debbie Shadbolt	Non-Executive Director
Stephen Sprigg	Non-Executive Director
Steven Smith	Non-Executive Director
Paul Smith	Non-Executive Director
Stephen Paterson	Non-Executive Director
John O'Neil	Non-Executive Director
Susan Geraghty	Non-Executive Director
Jennifer Bunce	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options

c. Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

d. Shareholdings

Number of ordinary shares held by key management personnel.

5. Key management personnel compensation cont.

2010

	Ordinary Shares			
Directors	*Balance at beginning of period*	*Purchased during the period*	*Other changes*	*Balance at end of period*
Steven Lange	10,001	-	-	10,001
Stephen Sprigg	1000	-	-	1000
John Lombardini	1000	-	-	1000
Debbie Shadbolt	10,000	-	-	10,000
Steven Smith	1000	-	-	1000
Paul Smith	1000	-	-	1000
Stephen Paterson	1000	-	-	1,000
John O'Neil	4000	-	-	4000
Susan Geraghty	5000	-	-	5,000
Jennifer Bunce	-	-	-	-
	34,001	**-**	**-**	**34,001**

	2010 $	2009 $

6. Cash and cash equivalents

	2010 $	2009 $
Cash at bank and in hand	-	-
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the items in the balance sheet as follows:		
Bank overdrafts	**(108,156)**	**(131,622)**

7. Trade and other receivables

Trade debtors	**37,752**	**31,516**

a. Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

There is no provision for impairment of receivables.

8. Other assets

Current		
Prepayments	**5,227**	**2,647**

9. Property, plant and equipment

Plant and Equipment		
Cost	149,406	149,406
Accumulated depreciation	(147,430)	(146,670)
	1,976	**2,736**
Movement in carrying amount		
Balance at the beginning of the year	2,736	3,496
Depreciation expense	(760)	(760)
Carrying amount at the end of the year	**1,976**	**2,736**

		2010 $	2009 $
10.	**Intangible assets**		
	Franchise fee		
	Cost	50,000	50,000
	Accumulated amortisation	(32,850)	(22,850)
		17,150	**27,150**

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo and Adelaide Bank Ltd, providing a core range of banking products and services.

		2010 $	2009 $
11.	**Trade and other payables**		
	Trade creditors and accruals	43,475	45,808
	GST payable	7,385	3,499
		50,860	**49,307**
12.	**Financial liabilities**		
	Current		
	Bank overdraft	108,156	131,622
	Mortgage loan	3,108	3,216
		111,264	**134,838**
	Non Current		
	Mortgage loan	**13,280**	**14,625**

Security

The bank overdraft and mortgage loan are secured by a floating charge over the Company's assets.

		2010 $	2009 $
13.	**Provisions**		
	Provision for employee entitlements	**9,031**	**12,703**
	Number of employees at year end	**3**	**4**
14.	**Equity**		
	406,510 (2008: 406,510) fully paid ordinary shares	406,510	406,510
	Cost of raising equity	(7,309)	(7,309)
		399,201	**399,201**
15.	**Cash flow information**		
	a. Reconciliation of cash flow from operations with profit after tax		
	Profit after tax	25,094	(24,478)
	Depreciation and amortisation	10,760	10,760
	Movement in assets and liabilities		
	Receivables	(6,236)	(65)
	Other assets	(2,580)	(1,654)
	Payables	1,553	(17,770)
	Provisions	(3,672)	2,716
	Net cash provided by/(used in) operating Activities	**24,919**	**(30,491)**

b. Credit Standby Arrangement and Loan Facilities

The Company has a bank overdraft facility amounting to $220,000 (2009: $150,000).

This may be terminated at any time at the option of the bank. At 30 June 2010, $108,165 (2009: $131,622) of this facility was used. Interest rates are variable.

16. Related party transactions

During the year rent totaling $5,181.84 was paid for the company's leased premises to the Lange Family Trust under a commercial lease agreement. Director Steven Lange and his wife are the trustees for the Lange Family Trust.

	2010 $	2009 $
17. Leasing commitments		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	5,700	5,700
Longer than 1 year but not longer than 5 years	3,800	7,943
	9,500	**13,643**

18. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

(a) Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2010.

(b) Financial Risk exposures and management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

iii. Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2010.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

18. Financial management (continued)

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2010 and 30 June 2009 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The company is not exposed to any material commodity price risk.

(c) Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted	Variable	Fixed			
2010	Average Effective Interest Rate	Floating Interest Rate	Within 1 year	Within 1 to 5 years	Non-interest Bearing	Total
Financial Assets						
Loan and receivables		-	-	-	37,752	37,752
Total Financial Assets		**-**	**-**	**-**	**37,752**	**37,752**
Financial Liability						
Bank overdraft secured	6.49%	108,156	-	-	-	108,156
Bank loan secured	10.1%	-	3,108	13,280	-	16,388
Trade and other payables		-	-	-	50,860	50,860
Total Financial Liabilities		**108,156**	**3,108**	**13,280**	**50,860**	**175,404**

18. Financial management (continued)

2009	Weighted Average Effective Interest Rate	Variable	Fixed			
		Floating Interest Rate	Within 1 year	Within 1 to 5 years	Non-interest Bearing	Total
Financial Assets						
Loan and receivables		-	-	-	31,516	31,516
Total Financial Assets		**-**	**-**	**-**	**31,516**	**31,516**
Financial Liability						
Bank overdraft secured	8.64%	131,622	-	-	-	131,622
Bank loan secured	10.6%	-	3,216	14,625	-	17,841
Trade and other payables		-	-	-	49,307	49,307
Total Financial Liabilities		**131,622**	**3,216**	**14,625**	**49,307**	**198,770**

(c) Financial Instrument Composition and Maturity analysis (continued)

	2010 $	2009 $
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	50,860	38,307
1 to 5 years	-	11,000
	50,860	49,307

(d) Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Fair values are materially in line with carrying values.

18. Financial management (continued)

(e) Sensitivity Analysis

i. Interest Rate Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

ii. Interest Rate Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2010	Carrying Amount $	- 2%		+ 2%	
		Profit $	Equity $	Profit $	Equity $
Financial Liability					
Bank overdraft secured	108,156	2,164	2,164	(2,164)	(2,164)

18. Financial instruments (continued)

(e) Sensitivity Analysis (continued)

2009	Carrying Amount $	- 2%		+ 2%	
		Profit $	Equity $	Profit $	Equity $
Financial Liability					
Bank overdraft secured	131,622	2,623	2,623	(2,632)	(2,632)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

19. Segment reporting

Types of products and services by segment
The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Ltd in Western Australia.

Basis of accounting for purposes of reporting by operating segments
Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Comparative information
This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

Major customers
The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Ltd, which accounts for all of the franchise margin income.

20. Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year that 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 subsequent financial years.

21. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

	2010 $	2009 $
22. Tax		
a. Liability		
Current		
Income tax	-	-
a. Reconciliations		
Deferred Tax Assets		
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in note 4 are met:		
— Provisions	1,102	2,716
— Tax losses: operating losses	113,269	123,147
	114,371	**125,863**

23. Company details

The registered office and principal place of business of the Company is:

29 Shadbolt Street
Mukinbudin WA 6479

Director's Declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
   a. comply with Accounting Standard and the Corporations Regulations 2001; and
   b. give a true and fair view of the Company's financial position as at 30 June 2008 and of the performance for the year ended on that date of the Company.

2. the Chief Executive Officer and Chief Finance Officer have each declared that:
   a. he financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   b. he financial statements and notes for the financial year comply with the Accounting Standards; and
   c. he financial statements and notes for the financial year give a true and fair view.

3. in the Directors' opinion 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

4. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Dated this	28th	day of	September	2010

RSM Bird Cameron Partners
Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
MUKINBUDIN COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mukinbudin Community Financial Services Limited ("the company"), which comprises the balance sheet as at 30 June 2010 and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility 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 the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control 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 ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, 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.

RSM Bird Cameron Partners
Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9101
www.rsmi.com.au

Auditor's Opinion on the Financial Report

In our opinion:

a. the financial report of Mukinbudin Community Financial Services Limited 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 2008 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; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

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

Auditor's Opinion

In our opinion the Remuneration Report of Mukinbudin Community Financial Services Limited for the financial period ended 30 June 2010 complies with section 300A of the Corporations Act 2001

RSM Bird Cameron Partners.

RSM Bird Cameron Partners

Chartered Accountants

Perth, Western Australia

David Wall

Partner

Date: 28 September 2010