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 2011

Current Position

It is with pleasure that I, on behalf of the Board, announce a significant milestone in the success of your local **Community Bank®** branch. Having moved into profit last financial year, we have not only maintained that position but have significantly improved our profit position to exceed $100,000.

A year's end increase of $6.5 million in total portfolio, which followed on from last year's $5 million increase, has now resulted in a total portfolio of $46.5 million.

Acknowledgements

I would like to firstly acknowledge Tara Chambers and her team of Stacey Manuel, Stella Underwood and Naomi Underwood for their consistent dedication, professionalism and commitment to our banking business. This stable and reliable combination has been a major factor in gaining the community's confidence and subsequent business support.

Secondly, I acknowledge the commitment of the current Directors, in particular Steve Lange, who continues to work tirelessly in his role as Company Secretary / Treasurer, without remuneration to the benefit of your company and its success.

Thirdly, I would acknowledge the efforts of our Board Secretary, Debbie Shadbolt, who has contributed unselfishly to your company's success, for more than five years, both by her in-meeting and out-of-meeting contributions. I say thank you to Debbie, as she leaves the Board to allow more time for her family and business interests. John O'Neil, has been a major contributor to your company at Board level and we thank him for that. John has resigned in order to fulfil other community responsibilities. Terry Norrish and Ian Clune have provided the Board with twelve months of service, for which I and their fellow Directors are grateful.

Staff

Branch Manager, Tara Chambers continues to enhance your **Community Bank®** branch's operations by her leadership, professionalism and friendliness along with her staff of Stacey Manuel, Stella Underwood and Naomi Underwood, without whom, your company's successes would not have come to fruition.

Agencies

Beacon agency continues to operate effectively and profitably under Tara's supervision. We are grateful to the Beacon Central Community Resource Centre for its contribution.

Your company officially opened its second agency on 1st June 2011 at Koorda, and acknowledge Tara's innovation and effort, Koorda Resource Centre and the Koorda community for their support.

Future

The Board is committed to the enhancement of our communities and to future growth of your company. The opportunities to achieve these objectives depend upon your banking support, I therefore officially thank you for your past support and encourage you to continue to support your **Community Bank®** branch into the future.

The Board would like to thank Bendigo and Adelaide Bank staff for their continued support.

Stephen Sprigg
Chairman

Bendigo Bank Limited Report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Generation Green, Community Telco, Generation Green™ and Community Enterprises) that will provide boards with further development options.

In Bendigo, your **Community Bank®** board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Bank's Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank (BEN) shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo Bank Limited Report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' Report

Your Directors present their report together with the financial report of the Company for the year ended 30 June 2011.

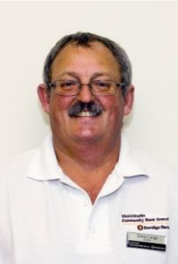
Directors

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 / Company Secretary
- *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 (resigned 1 January 2011)

- *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.

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.
- Jenni 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 (resigned 1 January 2011)

- *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

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	8
John Lombardini (resigned 1/1/2011)	5	3
Debbie Shadbolt	11	7
Stephen Sprigg	11	11
Steven Smith	11	8
Paul Smith	11	1
Stephen Paterson (resigned 1/1/2011)	5	0
John O'Neil	11	6
Susan Geraghty	11	7
Jennifer Bunce	11	0

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 $100,500.

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 ($122,330) as at 30 June 2010 to ($21,830) as at 30 June 2011, 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.

Directors' Report continued

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.

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 2011:

Taxation services:	$5,150

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307c of the *Corporations Act 2001* for the year ended 30 June 2011 in is included within the financial statements.

This report is signed in accordance with a resolution of the Board of Directors.

Director

Dated this 20th day of September 2011

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mukinbudin Community Financial Services Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 20 September 2011

TUTU PHONG
Partner

Financial Statements

Statement of Comprehensive Income
For the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue	2	473,924	380,754
Employee benefits expense		(227,807)	(191,458)
Depreciation and amortisation expense		(13,382)	(10,760)
Finance costs		(7,924)	(12,486)
Other expenses	3	(124,311)	(140,956)
Profit (Loss) before income tax		100,500	25,094
Income tax expense	4	-	-
Profit (Loss) for the year		**100,500**	**25,094**
Other comprehensive income		-	-
Total comprehensive income for the year Attributable to members		**100,500**	**25,094**

The accompanying notes form part of these financial statements

Statement of Financial Position
For the year ended 30 June 2011

	Note	2011 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	6	-	-
Trade and other receivables	7	35,094	37,752
Other current assets	8	7,077	5,227
TOTAL CURRENT ASSETS		42,171	42,979
NON-CURRENT ASSETS			
Property, plant and equipment	9	54,891	1,976
Intangible assets	9	7,150	17,150
TOTAL NON-CURRENT ASSETS		62,041	19,126
TOTAL ASSETS		**104,212**	**62,105**
CURRENT LIABILITIES			
Trade and other payables	10	20,702	50,860
Short-term financial liabilities	11	82,682	111,264
Short-term provisions	12	10,987	9,031
TOTAL CURRENT LIABILITIES		114,371	171,155
NON-CURRENT LIABILITIES			
Long-term financial liabilities	11	11,671	13,280
TOTAL NON-CURRENT LIABILITIES		11,671	13,280
TOTAL LIABILITIES		**126,042**	**184,435**
NET ASSETS		**(21,830)**	**(122,330)**
EQUITY			
Issued capital	13	399,201	399,201
Accumulated losses		(421,031)	(521,531)
TOTAL EQUITY		**(21,830)**	**(122,330)**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2011

	Share Capital (Ordinary shares) $	Retain Earnings/ (Accumulated losses) $	Total $
Balance at 1 July 2009	399,201	(546,625)	(147,424)
Total comprehensive income for the year	-	25,094	25,094
Balance at 30 June 2010	**399,201**	**(521,531)**	**(122,330)**
Balance at 1 July 2010	399,201	(521,531)	(122,330)
Total comprehensive income for the year	-	100,500	100,500
Balance at 30 June 2011	**399,201**	**(421,031)**	**(21,830)**

The accompanying notes form part of these financial statements

Statement of Cashflow
For the year ended 30 June 2011

	Note	2011 $	2011 $
Cash flows from operating activities			
Receipts from customers		476,581	374,518
Payments to suppliers and employees		(382,170)	(337,113)
Finance costs		(7,924)	(12,486)
Net cash provided by operating activities	14	86,487	24,919
Cash flows from investing activities			
Purchase of plant and equipment		(56,297)	-
		(56,297)	-
Cash flows from financing activities			
Repayment of borrowings		(1,549)	(1,453)
Net cash used in financing activities		(1,549)	(1,453)
Net increase/(decrease) in cash held		28,641	23,466
Cash and cash equivalents at beginning of the financial year		(108,156)	(131,622)
Cash held at the end of the financial year	**6**	**(79,515)**	**(108,156)**

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 statements were authorised for issue on 20th September 2011 by the Directors of teh Company.

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 had net current liabilities of $72,201 and net liabilities of $21,830 as at reporting date.

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 is making profits which are increasing each year;
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) 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.

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.

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

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

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

1. Statement of significant accounting policies (continued)

(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.

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.

1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

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.

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.

1. Statement of significant accounting policies (continued)

(d) Financial instruments (continued)

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 Statement of Comprehensive Income.

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.

(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 Statement of Comprehensive Income.

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.

1. Statement of significant accounting policies (continued)

(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 Statement of Financial Position.

(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 Statement of Financial Position are shown inclusive of GST.

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

1. Statement of significant accounting policies (continued)

(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.

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 2011. 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 2011 amounting to $7,150.

1. Statement of significant accounting policies (continued)

(o) New Accounting Standards for Application in Future Periods

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been inserted but are not yet effective.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	*Financial Instruments*	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity.
AASB 124	*Related Party Disclosures*	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	Disclosure Only.

The Company has decided against early adoption of these standards.

		2011 $	2010 $
2.	**Revenue**		
	Franchise margin income	473,924	380,754
3.	**Expenses**		
	Advertising and marketing	6,781	8,237
	Bad debts	424	139
	Community sponsorship and donations	5,920	11,621
	Freight and postage	7,201	6,545
	Insurance	9,976	10,848
	IT leasing and running costs	20,515	21,606
	Occupancy running costs	7,724	6,474
	Printing and stationery	5,693	4,955
	Rental on operating lease	5,609	7,422
	Other operating expenses	71,713	63,109
		141,557	**140,956**
	Remuneration of the auditors of the Company		
	Audit services	8,000	6,800
	Other Services	5,150	5,210
		13,150	**12,010**

	2011 $	2010 $

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.

	2011 $	2010 $
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% (2010: 30%)	30,150	7,528
Add:		
Tax effect of:		
— non-deductible depreciation and amortisation	3,000	3,000
1. other non-allowable items	-	20
Less:		
Tax effect of:		
— recoupment of prior year tax losses not previously brought to account	(33,150)	(10,548)
— other allowable items	-	-
Income tax attributable to Company	**-**	**-**

At balance date, the company had tax losses of $267,063 (2010: $377,563) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $80,119 (2010: $113,269). 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*
Stephen Sprigg	Non-Executive Director / Chairman
Steven Lange	Non-Executive Director / Company Secretary
John Lombardini (resigned 1/1/2011)	Non-Executive Director
Debbie Shadbolt	Non-Executive Director
Steven Smith	Non-Executive Director
Paul Smith	Non-Executive Director
Stephen Paterson (resigned 1/1/2011)	Non-Executive Director
John O'Neil	Non-Executive Director
Susan Geraghty	Non-Executive Director
Jennifer Bunce	Non-Executive Director

b. Shareholdings

Number of ordinary shares held by key management personnel.

2011

	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	1,000	-	-	1,000
John Lombardini (resigned 1/1/2011)	1,000	-	(1,000)	-
Debbie Shadbolt	10,000	-	-	10,000
Steven Smith	1,000	-	-	1,000
Paul Smith	1,000	-	-	1,000
Stephen Paterson (resigned 1/1/2011)	1,000	-	(1,000)	-
John O'Neil	4,000	-	-	4,000
Susan Geraghty	5,000	-	-	5,000
Jennifer Bunce	-	-	-	-
	34,001	**-**	**(2,000)**	**32,001**

	2011 $	2010 $
6. Cash and cash equivalents		
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 Statement of Financial Position as follows:		
Bank overdrafts	**(79,515)**	**(108,156)**

7. Trade and other receivables

	2011 $	2010 $
Trade debtors	**35,094**	**37,752**

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 of the Statement of Comprehensive Income.

There is no provision for impairment of receivables.

8. Other assets

	2011 $	2010 $
Current		
Prepayments	**7,077**	**5,227**

9. Plant and equipment

	2011 $	2010 $
Plant and Equipment		
Cost	172,112	149,406
Accumulated depreciation	(147,048)	(147,430)
	25,064	**1,976**

	2011 $	2010 $

9. Plant and equipment (continued)

	2011 $	2010 $
Movement in carrying amount		
Balance at the beginning of the year	1,976	2,736
Additions	26,306	-
Depreciation expense	(3,218)	(760)
Carrying amount at the end of the year	**25,064**	**1,976**
Motor vehicle		
Cost	29,991	-
Accumulated depreciation	(164)	-
	29,827	**-**
Balance at the beginning of the year	-	-
Additions	29,991	-
Depreciation expense	(164)	-
Carrying amount at the end of the year	**29,827**	**-**
Intangible assets		
Franchise fee		
Cost	50,000	50,000
Accumulated amortisation	(42,850)	(32,850)
	7,150	**17,150**

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

10. Trade and other payables

	2011 $	2010 $
Trade creditors and accruals	13,745	43,475
GST payable	6,957	7,385
	20,702	**50,860**

	2011 $	2010 $

11. Financial liabilities

	2011 $	2010 $
Current		
Bank overdraft	79,515	108,156
Mortgage loan	3,167	3,108
	82,682	**111,264**
Non Current		
Mortgage loan	**11,671**	**13,280**

Security

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

12. Provisions

	2011 $	2010 $
Current		
Provision for employee entitlements	**10,987**	**9,031**
Number of employees at year end	**3**	**3**

13. Equity

	2011 $	2010 $
406,510 (2010: 406,510) fully paid ordinary shares	406,510	406,510
Cost of raising equity	(7,309)	(7,309)
	399,201	**399,201**

14. Cash flow information

a. Reconciliation of cash flow from operations with profit after tax

	2011 $	2010 $
Profit after tax	100,500	25,094
Depreciation and amortisation	13,382	10,760

	2011 $	2010 $
Movement in assets and liabilities		
Receivables	2,657	(6,236)
Other assets	(1,850)	(2,580)
Payables	(30,158)	1,553
Provisions	1,956	(3,672)
Net cash provided by/(used in) operating Activities	**86,487**	**24,919**

b. Credit Standby Arrangement and Loan Facilities

The Company has a bank overdraft facility amounting to $220,000 (2010: $220,000). This may be terminated at any time at the option of the bank. At 30 June 2011, $79,515 (2010: $108,156) of this facility was used. Interest rates are variable.

Related party transactions

During the year rent totaling $5,609 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.

15. Leasing commitments

	2011 $	2010 $
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	3,800	5,700
Longer than 1 year but not longer than 5 years	-	3,800
	3,800	**9,500**

16. Dividends

	2011 $	2010 $
Distributions paid	-	-

17. 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 2011.

(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 2011.

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.

17 Financial risk 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 2011 and 30 June 2010 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 Statement of Financial Position.

2011	Weighted Average Effective Interest Rate	Variable Floating Interest Rate	Fixed Within 1 year	Fixed Within 1 to 5 years	Non-interest Bearing	Total
Financial Assets						
Loan and receivables		-	-	-	35,094	35,094
Total Financial Assets		**-**	**-**	**-**	**35,094**	**35,094**
Financial Liability						
Bank overdraft secured	6.93%	79,515	-	-	-	79,515
Bank loan secured	10.45%	-	3,167	11,671	-	14,838
Trade and other payables		-	-	-	20,702	20,702
Total Financial Liabilities		**79,515**	**3,167**	**11,671**	**20,702**	**114,555**

17. Financial risk management (continued)

2010	Weighted Average Effective Interest Rate	Variable Floating Interest Rate	Fixed 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		**108,152**	**3,108**	**13,280**	**50,860**	**175,404**

	2011 $	2010 $
Trade and sundry payables are expected to be paid as follows:		
Less than 6 months	20,702	50,860
1 to 5 years	-	-
	20,702	50,860

(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.

17. Financial risk 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 2011, 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:

2011	**Carrying Amount $**	**- 2%**		**+ 2%**	
		Profit $	**Equity $**	**Profit $**	**Equity $**
Financial Liability					
Bank overdraft secured	79,515	1,590	1,590	(1,590)	(1,590)

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

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.

18. Operating Segments

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.

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.

19. Events after the Statement of Financial Position 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.

20. Contingent liabilities and contingent assets

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

	2011 $	2010 $
21. 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
— Tax losses: operating losses	80,119	113,269
	80,119	**114,371**

22. Economic dependency – Bendigo and Adelaide Bank Limited

The company has entered into franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branches at Mukinbudin, Western Australia.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the branch manager and other employees in banking management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sales techniques and proper customer relations.

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
   b. give a true and fair view of the Company's financial position as at 30 June 2011 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. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the 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 20th day of September 2011

RSM Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDITOR'S 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 statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

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

RSM! Bird Cameron Partners
Chartered Accountants

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*, which has been given to the directors of Mukinbudin Community Financial Services Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

TUTU PHONG
Partner

Perth, WA
Dated: 20 September 2011