



Mundaring Community
Financial Services Ltd



Annual Report 2010 - 2011

Mundaring Community Financial Services Ltd was incorporated in 2001 to undertake the franchise for the Mundaring **Community Bank**® Branch Bendigo Bank. Opening the doors of the branch in February 2002, the company now operates a successful, profitable Bendigo Bank branch offering full banking and financial services to the Mundaring Community. It has also met its second goal and contributes approximately 50% of profits towards local community groups and projects, with more than \$85,000 returned in this financial year.

The Company has 685 shareholders, twelve staff and operates one franchise branch.



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Chairman's Report



The Board of Directors have pleasure in presenting to the shareholders of Mundaring Community Financial Services the annual report of your company for the 2010/11 financial year.

We have taken the opportunity to report to you in an electronic format for the first time to save costs and reduce our environmental footprint. Hard copies will be available on request.

The events taking place globally, both natural and man-made have had a huge impact on our communities and it has been a year where the excellence of your branch and your staff, and the Bendigo Bank network Australia-wide have allowed our banking network to make some significant contributions to communities in need.

This year your branch has, once again, regularly been rated N° 1 in WA and in the top 20 nationally for Bendigo Bank. Our congratulations go to branch management and staff for the excellent job they continue to do.

Our corporate office has undertaken some restructuring during the year including changes to staff and our approach to community investment. This has resulted in more money available for use in the community and a slightly different focus on the way our contribution can be made to the community.

The Board would like to thank the staff who have moved on to bigger things for their efforts in making your company as well known in the community as it is. We take this opportunity to introduce Neridah Zlatnik as your Corporate Manager and Karen Beale as Accounts and Investor Relations Officer.

As a board it is our intention to look for opportunities to increase the value of your investment and provide a continually expanding role in your community.

On a personal note I would like to thank the Board members for their dedication to making Mundaring Community Financial Services Ltd the sought after partner of many community groups. My thanks also to the board members who left us during the year, one through illness and one through pressure of work. Their contribution has made an indelible impression on me personally and they have done great work for your company and the community.

Always our thanks go to you, the shareholders both past and current. Without your commitment staff could not have made the impact on your community that has been made.

Arthur Maddison

Bank with us and...

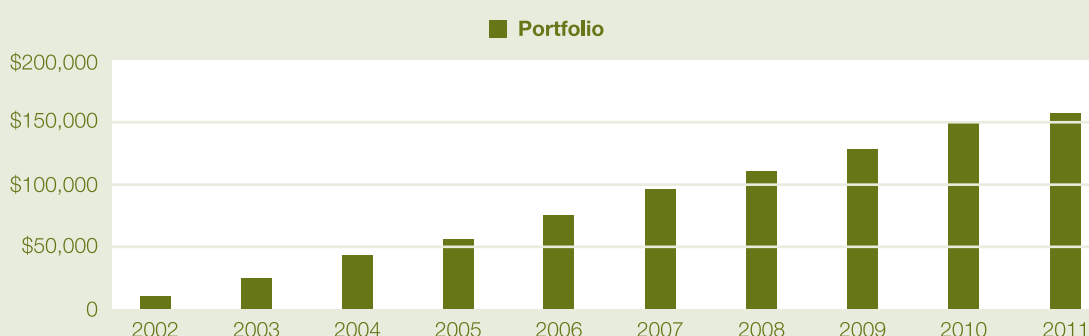


Who can forget the 18th February 2002, a day that is significant in the history of the Hills. This was, of course, the day we opened our doors and here I am writing a commentary for our ninth Annual Report. Believe it or not next year we will be celebrating our 10th year.

This is, I believe, a magnificent achievement and could not have been achieved without the support of the board, corporate staff, share holders and the general public who have certainly embraced the concept of having a local bank with a community focus.

Naturally the staff have been rock solid in their support, for without their commitment to customer service we would not be in such a strong position. So to Ann, Leanne, Taryn, Denise, Helena, Ruby, Heidi, Sandra and Susan thank you for everything.

It is pleasing to note the continued growth in account numbers and sustained portfolio growth following on from the Global Financial Crisis. The following graphs certainly demonstrate this.



Continued over...

I am also very appreciative of the Board, who through their underlying support make our job a lot easier.

However, we would not be in this strong position we find ourselves in without the support of our shareholders. You are the people who had the faith and belief to make this all happen, thank you.

Later in the report you will see what we have been able to give back to the community, which I believe is the real benefit of our existence.

I personally look forward to another year of solid growth as we continue our journey together, and you can all be assured that along with myself and the staff we will do our best to provide exceptional customer service.

Gerry Toovey Branch Manager



Perth Hills and Wheatbelt Band.

Customer testimonials

When you decided to support the opening of a community bank in Mundaring nearly ten years ago, for many it was to ensure that there were local banking facilities here in Mundaring. It was to ensure that local residents and businesses could have access to professional banking and finance services without having to travel half an hour down the hill. We now have an outstanding bank branch that can provide a wide range of banking products and services with a personal touch. And we have a community of happy customers.

Breadwinner Bakery, Mundaring

Hi, my name is Maggie Travers and I am the owner of Breadwinner Bakehouse in Mundaring with my partner, Tommy Pedersen. We have been banking with Mundaring Community Bank® Bank Bendigo Bank since moving to the Hills six years ago. We had become very disillusioned with the banking system while living in the city and felt there was no personal service.

Supporting local business is our priority, so the Mundaring Community Bank was our obvious choice when choosing a bank, lucky for us the Mundaring Community Bank is the absolute opposite to our past banking experiences. The staff is so friendly and go to all lengths to solve any queries or problems. The customer service is excellent, from management to teller staff. Their extensive product range suits our business and personal needs. We have nothing but praise for the staff and wish other service industries would take a leaf out of their book.



Duncan Mackie

As a community in the Hills we are very lucky to have a bank that gives the service that it does. And let's face it in this competitive world we live in, service is what it's all about.

Some time ago I wanted a small personal loan, I was told the bank didn't do that anymore however they offered me their cheapest option, which was a Bendigo Bank Basic Black cash card. The interest rate was fair and to this day I still use that card. The point is I was offered the cheapest option. That's service!

The other outstanding thing we experience when we go into our bank, we are greeted by very pleasant and efficient staff. You are not an account number, you are a person. That's service!

One more important service to recognise with our bank, if you need to call them on the phone, guess what, the call is answered by an eager to serve you staff member – not a machine that tells you to press button 1, 2 or 3. That's service!

Our bank seems to be a lot different to other banks. And isn't it good to know our bank is generous in supporting local sporting clubs and the arts. That's service!
Yours Truly, Duncan Mackie.



Kiah Hair Salon, Glen Forrest

My name is Monique Barr and I am the owner of KIAH HAIR SALON in Glen Forrest. I have been a Bendigo Bank member for years, so when we started our hair salon almost 5 years ago, the decision was easy for our business banking needs.

The support of staff at Mundaring Community Bank® Branch Bendigo Bank has been professional, consistent and extremely helpful over the years. Owning a small business is not always easy but the PERSONAL help and guidance from my bank, reducing banking confusion and stress, allows me to focus on my business.

One of my goals is to always support local people so the fact that the Bendigo Bank puts back into the community makes me feel proud to be part of their growth in the future.



Mundaring Hardware

Hi, our names are Rusty and Caroline and we are the owners of Mundaring Hardware. We have lived in the Hills for 20 years and have operated our business for the past six years.

We believe in the community bank concept and bought shares when the opportunity arose for Mundaring to have its own. SO we have been both shareholders and customers of the Mundaring Community Bank® Branch Bendigo Bank since the start.

Bendigo is our bank of choice because it is local, has local staff, great personal service and put's back into our local community.



Mundaring Toy Library.



Mundaring Sharing.

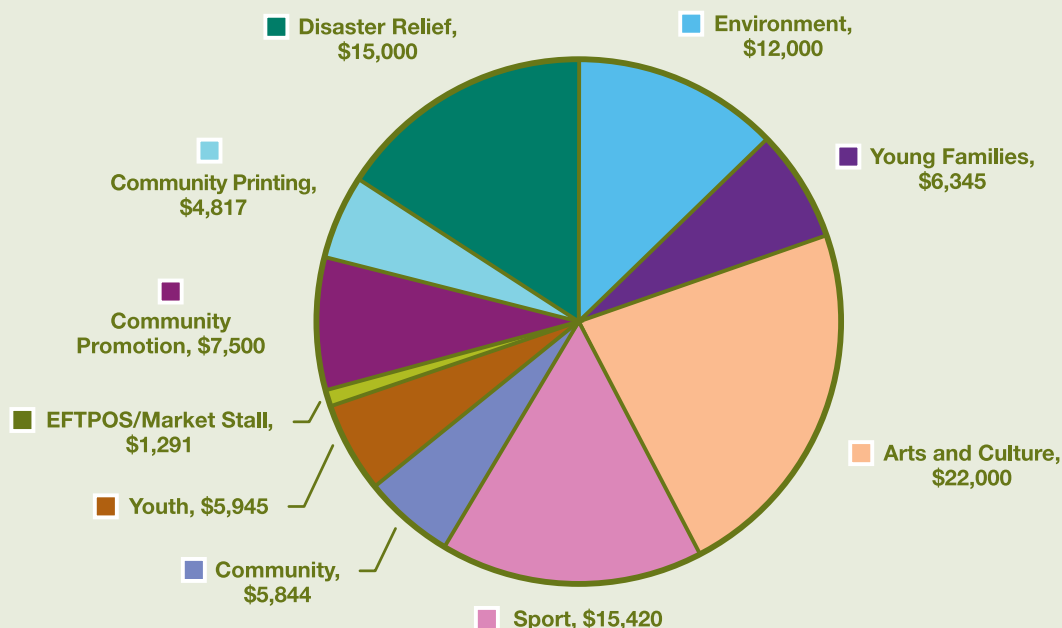
...the community benefits.

The past 12 months have seen us continue to build on our strong presence in the community with more than \$85,000 returned to local groups in the form of sponsorships, marketing and advertising support and the use of our EFTPOS machine and stall at the Mundaring Sunday Markets.

Our strategy focussing on providing community groups with help with graphic design, marketing and promotion for their projects, events and clubs, which was first implemented in 2009/2010, has continued to develop. We helped many local groups with brochures, flyers, tickets and ticket sales, posters and advertising as a way of sponsorship. This allowed us to be actively involved in the community, and to stretch our ability to offer cash sponsorships to a larger number of groups. It has proven to be a great way of connecting us to the community and we extend our sincere appreciation to all the groups who have allowed us to work with them in this way.

We have also continued with providing the, very much in demand, EFTPOS facility for local community groups and this has been used extensively across the community by a wide range of groups. Our community EFTPOS facility not only provides a major benefit to community groups but it also gives us, both staff and Directors, the opportunity to meet and talk with a wide range of people in our community. This avenue for discussion means we are able to better find out what the community needs, how they see our role and also improve the community's understanding of the range of activities we undertake – both in banking services and community support.

Our Community Spend in 2010/11



Community Testimonials

When you decided to support the opening of a community bank in Mundaring nearly ten years ago, for some of you it was because you saw the potential for a business that made supporting the local community part of its business. This belief has been made a reality and we would like to share some of the stories that you have made possible.

Chidlow Marsupial Hospital

The Chidlow Marsupial Hospital has been in existence for almost 20 years and its main function is to treat and care for sick, injured and orphaned marsupials until they can be released back into their natural environment.

The Hospital is also the home of Liz and Mark Appelt and is run by Liz with the help of a small band of dedicated volunteers. Liz is a qualified veterinary nurse and an expert wildlife carer.

Most of the animals brought to the Hospital are local species such as grey kangaroos, Western Brush wallabies, quendas, possums and echidnas, however red kangaroos, euros and wallabies are also sent to us by carers throughout the state. In an emergency, we will also take in birds and non-venomous reptiles.

At any one time there are between 10 and 20 joeys at the Hospital requiring bottle feeding four times a day as well as 40 or so adult marsupials that can't be released and have a permanent home at the Hospital. These include red kangaroos, euros and nail tail wallabies that are not native to the area, grey kangaroos with disabilities that would compromise their survival in the wild, quokkas that can't be returned to Rottnest Island and woylies that can't be returned to Karakamia because of the risk of introducing a disease into one of the last remaining colonies of these endangered animals. There are also possums waiting to be released and a wombat.

As well as actual admissions, extensive verbal and practical advice is given to the general public, veterinarians and other wildlife carers in WA. The Hospital also receives enquiries from interstate and overseas through our website (www.chidlowmarsupialhospital.org.au), which was set up to provide advice on treating and caring for marsupials.

Many woylies have been raised at the Hospital and in March 2010, four pairs of hand reared woylies were the first animals to be released into the new Woodland Reserve at Whiteman Park. The animals are doing very well and their numbers have multiplied several fold. Nocturnal Woylie Walks are now conducted through the reserve.

Liz's work at the Hospital would equate to two full time jobs, except that there are no weekends off, no holidays, no sick leave and no pay. Few people are prepared to make this commitment and without Liz's dedication and expertise, the Hospital wouldn't exist.

For many years Liz also met the Hospital's operating costs from her income as a veterinary nurse. However she no longer works in a vet clinic and the Hospital now relies on donations and sponsorship to fund its operations. The Hospital became an incorporated association in 2004 so that it would qualify for government and corporate grants.



Unfortunately most of the funding available through the State Government's Environmental Community Grants program, Lotterywest and the Shire of Mundaring can only be used for specific projects or items of equipment rather than for on-going operating costs.

When Mundaring Community Financial Services agreed in January 2008 to cover our feed and veterinary expenses up to the value of \$12,000, it was a tremendous relief as our major expenses were then covered. We can usually count on donations and fundraising to cover the rest.

There are only two reasons that would cause the Hospital to close. One is if Liz is no longer willing or able to continue and the other is if we can no longer afford to keep it going. Liz is now 65 and has been caring for native animals for about 30 years, so she probably won't be able to continue for much longer. However it would be very disappointing if she was prepared to continue, but had to give it away due to a lack of financial support.

The work of the Hospital is very important, not only for the sake of the animals saved, but also because of the pleasure and knowledge it gives people – and particularly young people – in meeting our native animals and learning more about them.

The Hospital provides a service that is not provided by government, the RSPCA or any other animal welfare organisation. In a wealthy, civilised society such as ours, we should be able to care for our native animals and the cost shouldn't be a burden on the few wildlife carers who already donate so much of their time. By supporting the Chidlow Marsupial Hospital, Mundaring Community Financial Services is helping to promote a more informed and compassionate society.

Mark and Liz Appelt

Wooroloo Primary School Robotics Program

Wooroloo Primary School has a strong IT focus based on a solid foundation of Australian values and community partnerships. The Robotics program is used to integrate all eight learning areas and helps our students develop life-long values that facilitate their academic, social, emotional and physical development. Learning from the past, present and future with strong community involvement is what we aspire to. Our robots help the students set goals and learn to achieve them by developing lateral thinking skill combined with the design, make and appraise learning process and making them accountable for their actions. The Robotics program aims to develop a high level of self-esteem by teaching the students to be adaptable, resourceful and quick to learn. In today's world our students need to be technologically competent, and adept at seeking out and using information to solve problems. They need to be able to think things through for themselves and show initiative, not simply wait for direction. When you watch our students using the robots you notice the high sense of cooperation and communication taking place, creating bonds of mateship between students to achieve a common goal.

In a small semi-rural school such as Wooroloo PS, this would have been difficult to achieve if it had not been for the support of Mundaring Community Financial Services Ltd. Developing this partnership was critical in purchasing the robots and achieving the first stage of the Robotics program. Thank you for your support and drive to help in developing local communities. Our students, staff, parents and community appreciate it!

Peter Jakimowicz
Principal



Swan View Cricket Club

The Swan View Cricket Club Inc (SVCC) is a Community Cricket Club established by local parents in 1975. Based at Brown Park in Swan View, the Club caters for both Junior and Senior players. This season, SVCC will field Under 10, Under 13 and Under 15 teams in the Midland Guildford Junior Cricket Association whilst nominating four Senior Teams in the Swan Helena Districts Cricket Association.

The Club's membership is quite diverse, ranging from children as young as eight in the Under 10s side to senior players in the 16-50 age brackets.

The Club not only provides a pathway for the development of junior cricketers but also provides an opportunity to all members to be involved in skills improvement, coaching, volunteering and committee work. For the

past 35 years, SVCC has been a big part of the local community and aims to continue this involvement in the future.

As with any voluntary organisation, fundraising is always a major factor and over the past two seasons, the support of Mundaring Community Bank® Branch Bendigo Bank (MCB) has been invaluable. From financial sponsorship to practical assistance at Club level, our association with MCB has assisted SVCC to focus on the coaching, training and equipping of both our Junior and Senior members, which has always been the Club's main aim.

We are looking forward to continued support from MCB and continue to promote and endorse them to all of our members.

Justin Stephenson

Vice President SVCC (Seniors)



Mt Helena Junior Football Club.



Mundaring Sporting Club

Director's Report

Your directors present their report on 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:



Arthur Robert Maddison

Position: Chairman

Occupation: Retired

Background Information:

Mr Maddison was a successful retail business owner, now retired, who has extensive community involvement in the Mundaring Shire built from his many years working in Mt Helena. Arthur brings 30 years of small business and retail operation expertise to the board.

Interest in MCFS shares and options: 10,000 shares



Gerard Alexander Tonks

Position: Non-Executive Director

Occupation: Retired Chartered Accountant

Background Information:

Mr Tonks was been the Company Secretary since January 2002. He is a Chartered Accountant and Chartered Secretary who has been in both public practice and commerce and specialised in corporate administration. He retired from consultancy in June 2010.

Interest in MCFS shares and options: 1,000 shares



Robert Emery

Position: Non-executive Director from 13 January 2010

Occupation: Consultant in Logistics and Marketing

Background Information:

Starting out as a commissioned officer in the Royal Navy in the UK, Robert has gained extensive experience in senior management roles across Western Australia, primarily in mining in the Pilbara where he was the general manager of the Port of Dampier and then the general manager of Dampier Salt Pty Ltd. More recently he was the manager of the Port of Albany until he retired and took a more leisurely approach to work and focused on consulting in his area of expertise. Robert holds tertiary qualifications in logistics and has professional (fellow) membership of several professional associations in shipping, logistics and international development. Robert was an elected councillor on the Shire of Mundaring from 1987 – 1991 and an elected Councillor on the City of Albany from 2000 to 2007 and currently sits on the Kalamunda Shire Council.

Interest in MCFS shares and options: Nil



James Saunders

Position: Non-executive Director

Occupation: Chartered Accountant

Background Information:

With extensive experience in corporate accounting services, James has worked for PriceWaterhouseCoopers and RSM Bird Cameron, in Victoria and Western Australia. He specialised in company advisory services, including restructuring, valuations and corporate accounting. James was responsible for the Community Bank® businesses with RSM Bird Cameron at their Perth office. James lives in Darlington with his family and is active in the community including the 1st Darlington Cubs.

Interest in MCFS shares and options: 700



Richard Stuart (Dr)

Position: Non-executive Director

Occupation: Offshore Oil and Gas Pipeline Engineer

Background Information:

Richard was born in the UK, spent part of his childhood in India and was educated at the University of London, graduating with a Bachelor and PhD in engineering. He has worked extensively across the world in the oil and gas industries, emigrating to Australia in 1993 and now lives in Mundaring. He has a keen interest in current affairs and sports. Richard has quality auditing qualifications for the oil and gas industry, and is a Fellow of the Institute of Engineers (Australia).

Interest in MCFS shares and options: 500 shares



Peter Hackett

Position: Non-executive Director

Occupation: Semi- retired

Background Information:

Peter is a semi-retired electronics technician and worked for Marconi Space and Defence Systems in the UK before emigrating to Australia in 1981, where he worked at Western Mining Corporation in Kalgoorlie. He now lives on the El Caballo Estate in Wooroloo. He has been self employed since 1991, and his business employs two staff working in the communications and electronics field. His interests are varied and include the Variety Club Charity Bash, Chidlow Hall and Heritage Group and the Volunteer Bush Fire Brigades in Wooroloo and Inkpen.

Interest in MCFS shares and options: Nil

Paige McNeil

Position: Non-Executive Director, resigned 1 February 2011

Interest in MCFS shares and options: Nil

Andrew Wells

Position: Non-Executive Director, resigned 2 March 2011

Interest in MCFS shares and options: 9,100 shares

Company Secretaries

Gerard Alexander Tonks, FCA, FCSA

Allison Jane I'Dell, BComm MBus ACSA, resigned 2 March 2011

Director's Meetings Attended

During the financial year, 11 meetings of Directors were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Arthur Maddison	11	11
Gerard Tonks	11	9
James Saunders	11	10
Paige McNeil (resigned 1 February 2011)	6	5
Richard Stuart	11	9
Andrew Wells (resigned 2 March 2011)	8	8
Robert Emery	11	8
Peter Hackett	11	7

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 \$249,099(2010: \$129,552).

Dividends paid or recommended

The Directors have resolved to pay a dividend of 12.0 cents per share (total dividend of \$67,880) to holders of securities in the Company appearing in the share registry at close of business on 30 November 2011. This dividend will be fully franked (at 30 cents per share) and paid on or about 15 December 2011.

Financial position

The net assets of the Company at year end were \$848,325 (2010: \$667,106), which is an improvement on prior year due to the improved operating performance of the Company. The directors believe the Company is in 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 - Audited

This report details the nature and amount of remuneration for each of the directors (being the key management personnel) of Mundaring Community Financial Services Limited. There were no specified executives involved in the management of the company who were not also directors.

Remuneration of Directors

Directors received fees for their services as Directors of the Company during the year 1 July 2010 to 30 June 2011 as follows:

Names of Directors	Role	2011	2010
Arthur Maddison	Chairman	4,360	2,758
Gerard Tonks	Non-Executive Director/Company Secretary Chairman Audit & Governance Committee	2,180	2,180
Robert Emery	Non-Executive Director	2,015	1,090
Peter Hackett	Non-Executive Director/ Chairman Community Investment Committee	2,015	1,090
Paige McNeil	Non-Executive Director	1,272	1,090
James Saunders	Non-Executive Director	2,180	1,090
Richard Stuart	Non-Executive Director	2,180	1,090
Andrew Wells	Non-Executive Director	1,515	1,090
Total Remuneration		<u>\$17,717</u>	<u>\$14,228</u>

Remuneration policy

The remuneration policy of the Company has been designed to take account of the community based objectives of the Company and within that context, clearly differentiates between the essentially community based objectives of the non-executive members of the board as distinct from those who carry specific executive roles. These are then aligned with shareholder and business objectives by providing a fixed remuneration component based on reasonable reward for workloads and responsibilities involved in the management of the Company's affairs. The board of the Company believes this remuneration policy to be appropriate and effective in its ability to attract and retain the appropriate board members and competent key management personnel to run and manage the Company, in addition to being aligned with the needs and goals of all members of the Company – shareholders included.

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 fixed salary (which is based on factors such as market rates appropriate to the position, taking account of qualifications and experience), and superannuation;
- The Board reviews key management personnel packages annually by reference to Executive performance and comparable information from industry sectors; and
- At the Board's absolute discretion, a modest annual bonus is paid to all staff in December, in recognition of their collective achievement of targets and maintenance of high standards of service to customers.

The performance of key management personnel is measured against criteria agreed annually with each individual and is based predominantly on the achievement of personal and corporate targets, the maintenance of shareholder value, and the consistent delivery of tangible benefit to the community in which the company operates. The policy is designed to attract and retain a team of high calibre executives with personal commitment to the Company's objectives, and to properly reward them for performance that results in the maintenance of true standards of excellence in customer services and community engagements, together with long-term growth in shareholder value.

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. Individuals are free to elect 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

Apart from the modest discretionary annual bonus payment referred to above which is made to all staff, the Company does not make any performance or incentive based remuneration payments to its key management personnel.

Company performance, shareholder wealth and Executive remuneration

The remuneration policy has been tailored to achieve goal congruence between shareholders and Executives. The method applied in achieving this aim is to remunerate non-executive directors at relatively nominal (honorarium) levels, and to pay fixed competitive market rate salaries to key executives and staff. The Company believes this policy to have been effective in building a competent and committed board/executive team, which has steadily built both shareholder wealth and community benefit levels over the past 9 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 and effectiveness of the individual concerned, and in general terms, the 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 period. 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.

Key management personnel remuneration**2011**

	Salary	Fees	Superannuation Contribution	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Allison I'Dell (resigned 02/03/11)	74,532		6,565	-	81,097	-
Gerard Tonks	-	2,500		-	2,500	-
Neridah Zlatnik (appointed 09/03/11)	14,347	-	1,281		15,628	-
	88,879	2,500	7,846	-	99,225	-

2010

	Salary	Fees	Superannuation Contribution	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Phillip I'Dell	45,054	577	1,857	-	47,488	-
Gerard Tonks	2,550	2,000	299	-	4,849	-
Allison I'Dell	63,207	-	5,608		68,815	-
	110,811	2,577	7,764	-	121,152	-

NOTE: The share based payments during the year were nil (2010: nil)

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.

Share options

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

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:

- Director approval of operating budgets and monitoring of progress against these budgets;
- Ongoing Director training; and
- Monthly Director meetings to discuss performance and strategic plans

The Company has in place a separate Audit and Governance Committee.

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 2002. 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 and accounting services:	\$3,250
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Auditors 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 29th day of September 2011.

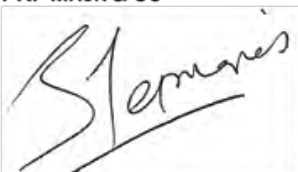
PKF MACK & CO

Chartered Accountants & Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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

**PKF MACK & CO****SIMON FERMANIS
PARTNER**

29 SEPTEMBER 2011
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WESTERN AUSTRALIA

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Mundaring Community Financial Services Limited

ABN 63 097 289 677

Financial Report for the year ended 30 June 2011

Statement of Comprehensive Income

For the year ended 30 June 2011

		2011	2010
Revenue	Note 2	1,743,652	1,557,788
Expense			
Employee benefits expense		(768,849)	(811,624)
Depreciation and amortisation expense		(52,582)	(49,165)
Community development sponsorship	25	(76,903)	(43,530)
Community development employee benefits	25	(-)	(19,111)
Other expenses	3	(483,544)	(452,915)
Total expenses		(1,381,878)	(1,376,345)
Profit/(Loss) before income tax		361,774	181,443
Income tax benefit/(expense)	4	(112,675)	(51,891)
Profit/(Loss) for the year		249,099	129,552
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		249,099	129,552

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2011

	Note	2011	2010
Current Assets			
Cash and cash equivalents	5	897,048	617,198
Trade and other receivables	6	153,437	160,362
Stock of consumables at cost	8	-	8,190
Other current assets	9	7,438	4,540
Total Current Assets		<u>1,057,923</u>	<u>790,290</u>
Non-Current Assets			
Property, plant and equipment	10	119,054	122,454
Intangible assets	11	7,042	17,042
Other non current assets	9	4,986	7,768
Deferred tax asset	7	25,180	29,379
Total Non-Current Assets		<u>156,262</u>	<u>176,643</u>
Total Assets		<u>1,214,185</u>	<u>966,933</u>
Current Liabilities			
Trade and other payables	12	201,485	138,366
Current tax liability	7	69,127	28,826
Financial liability	13	10,594	17,462
Short-term provisions	14	43,777	62,408
Total Current Liabilities		<u>324,983</u>	<u>247,062</u>
Non-Current Liabilities			
Financial liability	13	3,903	23,598
Deferred tax liability	7	1,525	644
Long-term provisions	14	35,449	28,523
Total Non-Current Liabilities		<u>40,877</u>	<u>52,765</u>
Total Liabilities		<u>365,860</u>	<u>299,827</u>
Net Assets		848,325	667,106
Equity			
Issued capital	15	559,585	559,585
Retained profits		288,740	107,521
Total Equity		<u>848,325</u>	<u>667,106</u>

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)	Retained profits/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 July 2010	559,585	107,521	667,106
Profit attributable to the members of the Company	-	249,099	361,775
Dividends paid or provided	-	(67,880)	(67,880)
Balance at 30 June 2011	<u>559,585</u>	<u>288,740</u>	<u>961,001</u>
Balance at 1 July 2009	559,585	34,536	594,121
Profit attributable to the members of the Company	-	129,552	129,552
Dividends paid or provided	-	(56,567)	(56,567)
Balance at 30 June 2010	<u>559,585</u>	<u>107,521</u>	<u>667,106</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		1,710,615	1,508,647
Payments to suppliers and employees		(1,274,660)	(1,363,955)
Interest received		37,065	12,775
Income Tax Paid or refund received		(67,294)	83,808
Net cash provided by/(used in) operating activities	16(a)	<u>405,726</u>	<u>241,275</u>
Cash flows from investing activities			
Payments for plant and equipment including deferred GST		(60,746)	(16,531)
Proceeds of asset sales		18,000	13,500
Net cash provided by/(used in) investing activities		<u>(42,746)</u>	<u>(3,031)</u>
Cash flows from financing activities			
Repayment of borrowings		(26,563)	(16,631)
Dividends paid		(56,567)	-
Net cash provided by/(used) in financing activities		<u>(83,130)</u>	<u>(16,631)</u>
Net increase/(decrease) in cash held		<u>279,850</u>	<u>221,613</u>
Cash held at the beginning of the financial year		<u>617,198</u>	<u>395,585</u>
Cash held at the end of the financial year	5	<u>897,048</u>	<u>617,198</u>

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, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Mundaring Community Financial Services Limited as an individual entity. Mundaring Community Financial Services Limited is an unlisted 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 to which they apply. 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. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(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.

(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 capitalised lease assets, 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%

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.

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 expired. 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 for 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.

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 fair 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 unlisted 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.

(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 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) year 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 have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(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.

Revenue is measured at the fair value of the consideration received or receivable from the franchisor.

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 or 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) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remains unpaid.

(o) Inventories

The Company holds inventory of consumable items, which are measured at lower of cost or net realisable value. The inventory balance held by the Company is not material to the financial statements.

(p) 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 as the intangibles are amortised over their useful life.

(q) Authorisation for financial report

The financial report was authorised for issue on 30 September 2011 by the Board of Directors.

(r) 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 following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Company,

AASB 101: Presentation of 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.

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, 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 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. The previous version of AASB 101 required only the presentation of a single income statement.

AASB 3: Business Combinations

This standard does not apply to the Company.

AASB 8: Operating Segments

The implementation of this standard will not change the disclosures in respect of operating segments in Note 21.

(s) 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, and has not yet determined the potential impact on the financial statements from the adoption on these standards and interpretations.

AASB NO.	TITLE	ISSUE DATE	OPERATIVE DATE (ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER)
9	Financial Instruments	Dec 2010	1 Jan 2013
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
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]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Jun 2010	1 Jan 2011
2010 – 5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	Oct 2010	1 Jan 2011
2010 – 6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	Nov 2010	1 Jul 2011
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	Dec 2010	1 Jul 2011
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 - 1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	May 2011	1 Jul 2011
2011 - 2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	May 2011	1 Jul 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013

	2011	2010
	\$	\$
2. Revenue		
Franchise margin income	1,706,587	1,545,013
Interest revenue	37,065	12,775
	<u>1,743,652</u>	<u>1,557,788</u>

3. Expenses

Advertising and marketing	56,769	96,176
ATM leasing and running costs	50,024	49,234
Bad Debts	2,630	4,275
Freight and postage	20,492	20,445
Insurance	17,551	18,442
IT leasing and running costs	29,480	30,968
Occupancy costs	162,893	131,309
Printing and stationery	25,520	25,088
Finance costs	1,424	2,305
Sale of assets	3,564	4,620
Other operating expenses	116,272	70,053
	<u>486,619</u>	<u>452,915</u>
Remuneration of the auditors of the Company		
Audit services	15,000	15,500
Other services	3,250	8,300
	<u>18,250</u>	<u>23,800</u>

	2011	2010
	\$	\$
4. Income tax expense		
a. The components of tax expense comprise:		
Current tax	107,595	28,826
Deferred tax (Note 22)	5,080	23,065
	<u>112,675</u>	<u>51,891</u>
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2010: 30%)	108,532	54,433
Add:		
Tax effect of:		
non-deductible depreciation and amortisation	3,219	772
other non-allowable items	1,108	692
Less:		
Tax effect of:		
other allowable items	(184)	(7,005)
Income tax attributable to the Company	<u>112,675</u>	<u>51,891</u>
5. Cash and cash equivalents		
Cash at bank and in hand	897,048	617,198
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	897,873	618,023
Community EFTPOS Trust Account	(825)	(825)
	<u>897,048</u>	<u>617,198</u>
6. Trade and other receivables		
Trade debtors	<u>153,437</u>	<u>160,362</u>

Trade debtors are normally settled within 30 days. Due to the short term nature the carrying value is assumed to be the fair value.

7. Tax

a. Liability

Income tax expenses	69,127	28,826
	<u> </u>	<u> </u>

Deferred tax liabilities comprise:

Interest income accrued	1,525	644
	<u> </u>	<u> </u>

b. Assets

Income tax credit	-	-
	<u> </u>	<u> </u>

Deferred tax assets comprise:

Accrued expenses	1,050	2,100
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Provisions	24,130	27,279
	<u> </u>	<u> </u>

	<u>25,180</u>	<u>29,379</u>
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c. Reconciliations

i. Gross Movements

The overall movement in the deferred tax account is as follows:

Opening balance	28,735	51,799
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Charged(credit) to income statement	(5,080)	(23,064)
	<u> </u>	<u> </u>

Closing balance	<u>23,655</u>	<u>28,735</u>
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ii. Deferred Tax Assets

The movement in deferred tax assets for each temporary difference during the year is as follows:

Provisions and Accruals

Opening balance	29,379	30,791
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Charged/(credit) to the income statement	(4,199)	(1,412)
	<u> </u>	<u> </u>

Closing balance	<u>25,180</u>	<u>29,379</u>
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	2011	2010
	\$	\$
7. Tax Continued		
<i>Income tax losses</i>		
Opening balance	-	21,459
Charged/(credit) to the income statement	-	(21,459)
Closing balance	-	-
(iii) Deferred Tax Liabilities		
The movement in deferred tax liabilities for each temporary difference during the year is as follows:		
Accrued income		
Opening balance	(644)	(451)
Charge/(Credit) to the Income Statement	(881)	(193)
	(1,525)	(644)
8. Stock of consumables at cost		
Marketing materials	-	8,190
9. Other assets		
Current		
Prepayment	7,438	4,540
Non current		
Deferred GST	1,486	4,268
Security deposit	3,500	3,500
	4,986	7,768
10. Property, plant and equipment		
Plant and Equipment		
Cost	376,952	350,470
Accumulated depreciation	(257,898)	(228,016)
	119,054	122,454

	2011	2010
	\$	\$
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	122,454	127,974
Additions	60,746	48,491
Disposals	(29,229)	(44,181)
Depreciation expense	(42,582)	(39,165)
Depreciation on disposals	7,665	29,335
Carrying amount at the end of the year	<u>119,054</u>	<u>122,454</u>

11. Intangible assets

Franchise fee		
Cost	100,000	100,000
Accumulated amortisation	(92,958)	(82,958)
	<u>7,042</u>	<u>17,042</u>

Initial cost of \$50,000 has been fully amortised and the balance of the \$50,000 is being written off over five years.

12. Trade and other payables

Trade creditors and accruals	89,651	39,044
GST payable	41,723	35,446
Dividend payable	70,111	63,876
	<u>201,485</u>	<u>138,366</u>

13. Financial liabilities

Current		
Community EFTPOS Trust Account	996	-
Finance lease	9,958	17,462
	<u>10,594</u>	<u>17,462</u>

	2011	2010
	\$	\$
Non current		
Finance lease	3,903	23,598

Security:

The finance lease is secured by a floating charge over the Company's assets.

14. Provisions

Current		
Provision for employee entitlements	43,777	62,408
Non current		
Provision for employee entitlements	35,448	28,523
Number of employees at year end	18	15

15. Equity

565,670 (2009: 565,670) fully paid ordinary shares	565,700	565,700
Cost of raising equity	(6,115)	(6,115)
	559,585	559,585

The Company is not subject to any externally imposed capital requirements

16. Cash flow information

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

Profit after tax	249,099	129,552
Depreciation and amortisation	49,507	49,165
Loss on Sale of assets	3,564	1,346

Movement in assets and liabilities

Stock	8,190	3,574
Receivables	6,926	(36,366)
Current tax asset	-	31,918
Other assets	(2,898)	(61)
Deferred tax asset	4,199	22,871
GST movement	-	-

	2011	2010
	\$	\$
Deferred tax liability	881	193
Payables	59,507	(398)
Provision for tax/(tax paid)	45,381	28,826
Provisions for employees	(11,705)	10,655
	<u> </u>	<u> </u>
Net cash provided by/(used in) operating Activities	<u>412,651</u>	<u>241,275</u>

b. Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present.

17. Related party transactions

Refer to note 24 for related party transactions.

18. Leasing commitments

a. Leasing commitments for premises

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

Bank Branch Mundaring

Payable

Not longer than 1 year	22,206	39,672
Longer than 1 year but not longer than 5 years	-	59,508
	<u>22,206</u>	<u>99,180</u>

Poynton House Midland

Payable

Not longer than 1 year	48,900	45,000
Longer than 1 year but not longer than 5 years	30,562	119,700
	<u>79,462</u>	<u>209,700</u>

	2011	2010
	\$	\$
b. Community sponsorship and donations		
<p>The Company has committed to a number of sponsorship arrangements with local Community organisations. These commitments have not been brought to account as a liability in the financial statements (Note 1(h)).</p>		
Payable		
Not longer than 1 year	-	3,600
c. Leasing commitments for motor vehicles		
Current	9,598	13,604
Non-Current	3,903	34,534
Total	<u>13,501</u>	<u>48,138</u>

19. Dividends

a. Distributions paid	-	-
b. Dividend provided for declared in June 2011 at 12 cents per share payable in December 2011	67,880	56,567
c. Balance of dividend franking account	<u>245,503</u>	<u>133,325</u>

20. Financial instruments

a. 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.

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, foreign currency 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.

In regards to liquidity risk the Company currently maintains a substantial balance of cash funds in comparison to its commitments under a finance lease for a motor vehicle (\$9,598 p.a.) and two operating leases for premises in Mundaring (\$39,672 p.a.) and Midland (\$45,000 p.a.). The Midland lease commenced in February of 2008 and the other two leases were in place in 2007 and earlier. The Directors therefore consider the liquidity risk in this context to be negligible.

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.

In regards to credit risk the Company has a receivable at the end of each month, including at the end of each accounting period, being fees and commissions due to it under its franchise agreement, from Bendigo and Adelaide Bank Ltd. This amount, now in the order of \$150,000, is due and receivable, and is regularly received, in the third week following month end. The risk of this not being paid is considered by the Directors of the

Company to be low. The franchise arrangement has been in place for nine and a half years and to date there has not been any undue delay in receiving monthly payments from the Franchisor.

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. Market risk

The market risks that are relevant to the business of the Company are two in number. The Company earned \$37,065 interest on its cash funds during the last year. The Directors believe that there is reasonable likelihood of interest rate variation of minus or plus 2% over the next year which would affect income by about \$12,000 which, however, would not be material to the Company.

The primary income source is fee and commission income from the conduct of banking business. This has been growing strongly each year since the franchise commenced operating in February, 2002. The franchise total portfolio of bank business, deposits and loans, has reached \$150 million and is still trending upwards but, in a period of more general credit and bank business uncertainty, the future of the franchise bank business growth is less predictable.

If the portfolio of business were to decline by 10%, a possible but unlikely scenario, the annual income of the Company would decrease by approximately \$170,000 which would diminish but not entirely eliminate profits.

vi. Capital management

The Company has a policy of capital management which is to maintain, as much as possible, the value of the original \$565,700 invested by shareholders in 2002 by secure investment, and other practices, and this is currently being achieved in the form of cash reserves. Surplus funds are applied to expand the bank business of the Company. A primary purpose of the Company is to maintain, improve and expand the provision of banking services in Mundaring and the surrounding region.

The Directors develop and implement Board policies and procedures to assess and minimise the risk of events that may disadvantage the business of the Company and diminish the value of its assets.

The business of the Company is dependent upon the continuation of the franchise agreement with Bendigo and Adelaide Bank Ltd and the Bank's honouring of that agreement which is not in doubt by the Directors of the Company.

The franchise has another seven months to run of its current (the second) five years period and renewal for another five years is automatic if all covenants have been complied with.

The Company has established an approved market for securities in the Company. This market operates under an exemption granted by the Australian Securities and Investments Commission under the Corporations (Low Volume Markets) Exemption Notice 2003. A number of trades in shares were effected during the financial year with an average price of \$1.50. The Company commissioned an independent valuation during the 2008-09 year and the report placed a value on the securities of the Company at between \$2.41 and \$2.79.

vii. 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 managements' expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

2010

	VARIABLE		FIXED			Total
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	
<i>Financial Assets</i>						
Cash and cash equivalents	5.0%	617,745	-	-	278	618,023
Loans and receivables		-	-	-	160,362	160,362
Total Financial Assets		617,745	-	-	160,640	778,385

Financial Liability

Trade and other payables		-	-	-	138,366	138,366
Lease liabilities	7.45%	-	17,462	23,598	-	41,060
Total Financial Liabilities		-	17,462	23,598	138,366	179,426

2011

	VARIABLE		FIXED			Total
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	
<i>Financial Assets</i>						
Cash and cash equivalents	6.1%	897,048	-	-	-	897,048
Loans and receivables		-	-	-	153,437	153,437
Total Financial Assets		897,048	-	-	153,437	1,050,485

Financial Liability

Bank overdraft secured		-	-	-	-	-
Trade and other payables		-	-	-	201,485	201,485
Lease liabilities	7.45%	-	10,594	3,903	-	14,497
Total Financial Liabilities		-	10,594	3,903	201,485	215,982

2011

2010

\$

\$

Trade and sundry payables are expected to be paid as followed:

Less than 6 months	201,485	138,366
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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.

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	-2 %			+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	897,873	(17,958)	(17,958)	17,958	17,958

2010	-2 %			+ 2%	
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
<i>Financial Assets</i>					
Cash and cash equivalents	618,023	(12,360)	(12,360)	12,360	12,360

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.

21. Segment reporting

The Company operates in the financial services sector as a branch of Bendigo Bank in Western Australia. All income is derived as profit share from Bendigo Bank.

22. 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.

23. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date other than \$15,769 in loans made under the Branch Manager's Discretionary Lending Authority.

24. Key management personnel compensation

a. Names and positions

<i>Name</i>	<i>Position</i>
Arthur Maddison	Non-Executive Director (Chairman)
Gerard Tonks	Non-Executive Director (Company Secretary)
Paige McNeil	Non-Executive Director (resigned 01/02/2011)
James Saunders	Non-Executive Director
Richard Stuart	Non-Executive Director
Andrew Wells	Non-Executive Director (resigned 02/03/2011)
Peter Hackett	Non-Executive Director
Robert Emery	Non-Executive Director

b. Key Management Personnel Remuneration

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

c. 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.

d. 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.

e. Shareholdings

Number of ordinary shares held by key management personnel

2011	Directors	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
	Arthur Maddison	10,000	-	-	10,000
	Gerard Tonks	1,000	-	-	1,000
	Paige McNeill	500	-	-	500
	Robert Emery	-	-	-	-
	James Saunders	-	700	-	700
	Peter Hackett	-	-	-	-
	Richard Stuart	500	-	-	500
	Andrew Wells	9,100	-	-	9,100
	Total	21,100	700	-	21,800

The opening balances at 1 July 2010 for the then Directors were the same at 30 June 2011.

Summary from Remuneration Report

Names of Directors	Role	2011	2010
Arthur Maddison	Chairman	4,360	2,758
Gerard Tonks	Non-Executive Director/Company Secretary Chairman Audit & Governance Committee	2,180	2,180
Ronald Shannon	Non-Executive Director	-	1,090
James Saunders	Non-Executive Director	2,180	1,090
Richard Stuart	Non-Executive Director	2,180	1,090
Robert Emery	Non-Executive Director	2,015	1,090
Peter Hackett	Non-Executive Director/ Chairman Community Investment Committee	2,015	1,090
Paige McNeil	Non-Executive Director	1,272	1,090
Andrew Wells	Non-Executive Director	1,515	1,090
Phillip I'Dell	Chairman	-	629
Neil Cole	Non-Executive Director (resigned)	-	96
Frank Kamp	Non-Executive Director/ Chairman Audit & Governance Committee	-	839
Neridah Zlatnik	Non-Executive Director	-	96
Total Remuneration		<u>\$17,717</u>	<u>\$14,228</u>

Key management personnel remuneration**2011**

	Salary	Fees	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	%
Allison I'Dell (resigned 02/03/11)	74,532		6,565	81,097	-
Gerard Tonks	-	2,500		2,500	-
Neridah Zlatnik (appointed 09/03/11)	14,347	-	1,281	15,628	-
	<u>88,879</u>	<u>2,500</u>	<u>7,846</u>	<u>99,225</u>	<u>-</u>

2010

	Salary	Fees		Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Phillip I'Dell	45,054	577	1,857	-	47,488	-
Gerard Tonks	2,550	2,000	299	-	4,849	-
Allison I'Dell	63,207	-	5,608		68,815	-
	110,811	2,577	7,764	-	121,152	-

NOTE: The share based payments during the year were nil (2010: nil)

25 Community Expenditures

	2011	2010
	\$	\$
Community sponsorships	76,903	43,530
Employee's costs for community development	-	19,111
	<u>76,903</u>	<u>62,641</u>

In anticipation of estimated profits in a year, the Company expends monies on community development projects in the Mundaring region.

26 Company details

The administrative office of the Company is:

10 Burgess Street
Midland WA 6056

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

6945 Great Eastern Highway
Mundaring WA 6073

Directors' Declaration

The Directors of the Company declare that:

1. the accompanying Financial Statements , Remuneration Report and Notes are in accordance with the Corporations Act 2001, and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company.
2. 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.
3. the Directors draw attention to Note 1 of these Financial Statements, which includes a statement of compliance with International Financial Reporting Standards.

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



Director

Dated this 29th day of September 2011



Chartered Accountants & Business Advisers

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Mundaring Community Financial Services Limited (the company), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, 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 gives a true and fair view and 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. Those 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 company's preparation of the financial report that gives a true and fair view 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 company'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.

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Opinion

In our opinion:

- (a) the financial report of Mundaring 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Mundaring Community Financial Services Limited for the period ended 30 June 2011 complies with section 300A of the Corporations Act 2001.



PKF MACK & Co



SIMON FERMANIS
PARTNER

29 SEPTEMBER 2011
WEST PERTH
WESTERN AUSTRALIA

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