Murrimboola Financial Services Limited

ABN 12 118 357 467

annual report 2011

Harden Murrumburrah **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

I am happy to present this, my third Annual report to shareholders in this the fourth year of operation of the Harden Murrumburrah **Community Bank®** Branch.

We have continued to move forward and to grow our enterprise over the past year and by the end of the financial year we were on the point of opening an agency of our **Community Bank®** branch in Junee. We anticipate this agency will considerably enhance our profits.

Evidence that benefitting our community is at the heart of what we do can be seen throughout our shire. A source of great pride is that the four main issues affecting our town which we identified in our "Good for Business, Good for Community" forum held in March 2009, have become part of Team Harden Shire's scheme to re-invigorate our town. Our input has given us representation in Team Harden for the life of the project.

Our proudest achievement is the assistance we have been able to provide to the Harden-Murrumburrah Show Society for the construction of a new facility to service the needs of both the cattle show and equestrian events. From our offer to seed the project, the Show Society then sourced the remainder of the funds needed for the project. Our contribution has grown from our original offer, and we have now pledged to repay a $30,000 loan over ten years to RAS, on behalf of the Show Society.

We have sponsored other community events, including the Harden-Murrumburrah Kennel Club, Youth Week, Gold Trail, Volunteers Gala Day, Harden Rugby League, and Touch Football Team.

We continue to support the Camera Club and the local High School with perpetual awards.

In order to ensure the continued success of our branch, in February each year Directors devote a full day planning strategies and projected outcomes for the ensuing year. As well we have sent delegates to the NSW/ACT State Conference each year, and brought experts from our franchisor, the Bendigo and Adelaide Bank Pty LTD to address us on matters of planning and governance.

We have several Sub-committees to oversee special functions for which the Board is responsible. The most active of these sub-committees is Business Development and Marketing which meets monthly to determine strategies for the Board to implement to grow the business.

I wish to thank the Directors for their continued effort to ensure the successful operation of our enterprise. I thank Mr Jim Wright for his valued work as honorary Corporate Secretary.

I especially thank Branch Manager Ralph Hawkins and staff Janelle Slavin, Gale Curtis and Sarah Jones for the wonderful job they do which has made our branch one of the top **Community Bank®** branches in Australia for customer service.

Barbara Sargent
Chairman

Manager's report

For year ending 30 June 2011

Financial year 2011 has seen Harden Murrumburrah **Community Bank®** Branch end the year with approximately $46 million of business footings and 1,588 customer accounts. This reflects an increase in business of 15% and account numbers of 13%.

The continuing growth in Harden Murrumburrah **Community Bank®** Branch business has not occurred by accident and is due to a number of factors such as;

- The willingness of our customers and shareholders to recommend the branch to their friends and family.
- The willingness of our customers to seek more and more solutions to their financial needs from the branch.
- The great service provided by our Customer Service team Gale, Janelle and Sarah.
- The ongoing desire of your Directors to ensure that Harden Murrumburrah **Community Bank®** Branch is both a leader of the community and an integral part of this community.

The strength of the **Community Bank®** model is its ability to provide ongoing support to the community it operates it's business in.

If new and existing customers want to build their community, the only decision they have to make is to to bank with Harden Murrumburrah **Community Bank®** Branch.

The next financial year is again challenging and if the growth planned is achieved will see our capacity to further invest in the community balance sheet of Harden Shire and Districts increase.

Ralph Hawkins
Branch Manager

Bendigo and Adelaide Bank Ltd 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, 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 Banks 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 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.

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

For the financial year ended 30 June 2011

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

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Barbara Sargent
Chairman
Retired School Teacher

Susan McCarthy
Treasurer
Farm Office Manager

Tony Campbell
Director
Agriculture Business

Julie O'Connor
General Secretary
Home duties

Brenden Robert McKay
Director
Businessman

Dr Yusufali Khalfan
Director
Medical Practitioner

Hugh Pavitt
Director
Businessman

Geoffrey Buckland
Director
Retired

Evelyn Shea
Director
Health Service Manager

Catherine Sanderson - appointed 19 May 2011
Director, Secretary
Home duties

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

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

Principal activities

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

There has been no significant changes in the nature of these activities during the year.

Operating results

Operations have continued to perform in line with expectations. The profit / (loss) after income tax expense for the Company for the financial year was $2,938 (2010: ($52,838)).

Dividends	Year ended 30 June 2011 Cents per share	$'000
Final dividends recommended:	nil	nil
Dividends paid in the year:		
- Interim for the year	nil	nil
- As recommended in the prior year report	nil	nil

Significant changes in the state of affairs

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

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

The Company will continue its policy of providing banking services to the community.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

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

Director	Board meetings #
Barbara Sargent	12 (12)
Susan McCarthy	12 (12)
Tony Campbell	9 (12)
Julie O'Connor	10 (12)
Brenden Robert McKay	11 (12)
Dr Yusufali Khalfan	6 (12)
Hugh Pavitt	11 (12)
Geoffrey Buckland	8 (12)
Evelyn Shea	10 (12)
Catherine Sanderson - appointed 19 May 2011	1 (1)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

Alexander Wright has been the Company Secretary of Murrimboola Financial Services Ltd since 2008. Catherine Sanderson was also appointed Secretary on 19 May 2011.

Corporate governance

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

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Laterals GLP

Chartered Accountants

Auditor's independence declaration

In relation to our audit of the financial report of Murrimboola Financial Services Ltd for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Grant L Pearce

Laterals GLP Chartered Accountants

Goulburn

Date: 29 July 2011

Signed in accordance with a resolution of the Board of Directors on 20 October 2011.

Barbara Sargent	**Susan McCarthy**
Chairman	**Treasurer**

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from ordinary activities	2	372,986	299,485
Employee benefits expense	3	(209,436)	(202,067)
Charitable donations and sponsorship		(1,205)	(8,609)
Depreciation and amortisation expense	3	(34,466)	(34,847)
Finance costs	3	(11,426)	(12,892)
Other expenses from ordinary activities		(111,602)	(114,275)
Profit/(loss) before income tax expense		**4,851**	**(73,205)**
Income tax expense	4	1,913	(20,368)
Profit/(loss) after income tax expense		**2,938**	**(52,837)**
Total comprehensive income		**2,938**	**(52,837)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	0.43	-7.68
- diluted for profit / (loss) for the year	22	0.43	-7.68

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	6	-	-
Receivables	7	40,888	32,680
Total current assets		**40,888**	**32,680**
Non-current assets			
Property, plant and equipment	8	129,488	154,069
Deferred tax assets	4	208,467	210,380
Intangible assets	9	3,096	10,661
Total non-current assets		**341,052**	**375,110**
Total assets		**381,940**	**407,790**
Current liabilities			
Payables	10	29,848	25,859
Loans and borrowings	11	150,620	184,919
Provisions	12	18,061	16,537
Total current liabilities		**198,528**	**227,315**
Total liabilities		**198,528**	**227,315**
Net assets		**183,413**	**180,475**
Equity			
Share capital	13	688,108	688,108
Retained earnings / (accumulated losses)	14	(504,695)	(507,633)
Total equity		**183,413**	**180,475**

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			
Cash receipts in the course of operations		368,023	290,730
Cash payments in the course of operations		(319,976)	(318,625)
Interest paid		(11,426)	(12,891)
Net cash flows from/(used in) operating activities	**15b**	**36,621**	**(40,786)**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,322)	-
Net cash flows from/(used in) investing activities		**(2,322)**	**-**
Net increase/(decrease) in cash held		**34,299**	**(40,786)**
Cash and cash equivalents at start of year		15,081	55,867
Cash and cash equivalents at end of year	**15a**	**49,380**	**15,081**

The accompanying notes form part of these financial statements.

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

	Note	2011 $	2010 $
Share capital			
Balance at start of year		688,108	688,108
Balance at end of year		**688,108**	**688,108**
Retained earnings / (accumulated losses)			
Balance at start of year		(507,633)	(454,796)
Profit/(loss) after income tax expense		2,938	(52,837)
Dividends paid	21	-	-
Balance at end of year		**(504,695)**	**(507,633)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Murrimboola Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

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

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

The financial statements were authorised for issue by the Directors on 20 October 2011.

(b) Statement of compliance

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

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

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

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

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

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

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

Notes to the financial statements continued

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

Property, plant and equipment

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

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

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

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

Impairment

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

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

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

Revaluations

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

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

Recoverable amount of assets

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

Goods and services tax

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

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

Notes to the financial statements continued

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

Goods and services tax (continued)

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

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Comparative figures

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

Revenue

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

Receivables and payables

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

Loans and borrowings

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

Notes to the financial statements continued

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

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Share capital

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

	2011 $	**2010 $**

Note 2. Revenue from ordinary activities

Operating activities		
- services commissions	300,958	238,281
- other revenue	72,028	61,204
Total revenue from operating activities	**372,986**	**299,485**
Non-operating activities:		
- interest received	-	-
Total revenue from non-operating activities	**-**	**-**
Total revenue from ordinary activities	**372,986**	**299,485**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	190,316	183,859
- superannuation costs	16,459	15,889
- workers' compensation costs	547	372
- other costs	2,114	1,947
	209,436	**202,067**

	2011 $	2010 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	26,901	26,657
Amortisation of non-current assets:		
- intangibles	7,565	8,190
	34,466	**34,847**
Finance Costs:		
- Interest paid	11,426	12,892
Bad debts	34	425

Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	1,455	(21,962)
Add tax effect of:		
- Non-deductible expenses	458	1,594
Current income tax expense	**1,913**	**(20,368)**
Income tax expense	**1,913**	**(20,368)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**208,467**	**210,380**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Laterals GLP for:		
- Audit or review of the financial report of the Company	4,200	4,500
- Other services	2,200	2,200
	6,400	**6,700**

	2011 $	2010 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	-	-

Note 7. Receivables

Trade debtors	40,888	32,680
	40,888	**32,680**

Note 8. Property, plant and equipment

Leasehold improvements		
At cost	228,962	228,962
Less accumulated depreciation	(108,443)	(83,301)
	120,519	**145,661**
Plant and equipment		
At cost	30,156	27,835
Less accumulated depreciation	(21,187)	(19,427)
	8,969	**8,408**
Total written down amount	**129,488**	**154,069**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	145,661	170,803
Additions	-	-
Disposals	-	-
Depreciation expense	(25,142)	(25,142)
Carrying amount at end of year	**120,519**	**145,661**
Plant and equipment		
Carrying amount at beginning of year	8,408	9,922
Additions	2,320	-
Disposals	-	-
Depreciation expense	(1,759)	(1,514)
Carrying amount at end of year	**8,969**	**8,408**

	2011 $	2010 $

Note 9. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(10,000)	(8,625)
	-	**1,375**
Preliminary expenses		
At cost	30,951	30,951
Less accumulated amortisation	(27,855)	(21,665)
	3,096	**9,286**
	3,096	**10,661**

Note 10. Payables

	2011 $	2010 $
Trade creditors	12,514	9,010
Other creditors and accruals	17,334	16,849
	29,848	**25,859**

Note 11. Loans and borrowings

	2011 $	2010 $
Bank overdraft	150,620	184,919
	150,620	**184,919**

Note 12. Provisions

	2011 $	2010 $
Employee benefits	**18,061**	**16,537**

Note 13. Share capital

	2011 $	2010 $
688,108 Ordinary shares fully paid of $1 each	**688,108**	**688,108**

	2011 $	2010 $

Note 14. Retained earnings/(accumulated losses)

Balance at the beginning of the financial year	(507,633)	(454,796)
Profit/(loss) after income tax	2,938	(52,837)
Dividends	-	-
Balance at the end of the financial year	**(504,695)**	**(507,633)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents		
Cash assets	-	-
Bank overdraft available for drawdown	49,380	15,081
	49,380	**15,081**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	2,938	(52,837)
Non cash items		
- Depreciation	26,901	26,657
- Amortisation	7,565	8,190
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,930)	(8,669)
- (Increase) decrease in prepayments	(3,278)	(86)
- Increase (decrease) in payables	3,503	(3,227)
- Increase (decrease) in provisions	3,922	(10,814)
Net cash flows from/(used in) operating activities	**36,621**	**(40,786)**

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

Barbara Sargent

Susan McCarthy

Tony Campbell

Julie O'Connor

Brenden Robert McKay

Dr Yusufali Khalfan

Hugh Pavitt

Geoffrey Buckland

Evelyn Shea

Catherine Sanderson

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

Directors' shareholdings as at 30 June 2011	2011	2010
Barbara Sargent	4,001	4,001
Susan McCarthy	12,501 *	12,501
Tony Campbell	2,001	2,001
Julie O'Connor	2,000	2,000
Brenden Robert McKay	4,001 *	4,001
Dr Yusufali Khalfan	3,001	3,001
Hugh Pavitt	5,000	5,000
Geoffrey Buckland	3,000 *	3,000
Evelyn Shea	2,500 *	2,500
Catherine Sanderson	5,501	5,501

* Includes shares held jointly with spouse.

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

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in one geographic area being Harden Murrumburrah.

Note 20. Corporate information

Murrimboola Financial Services Ltd is a Company limited by shares incorporated in Australia

The registered office and principal place of business is: 23 Neill Street,
Harden NSW 2587

Note 21. Dividends paid or provided for on ordinary shares

	2011 $	2010 $
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2010: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2010: nil cents per share)	-	-
(ii) Previous year final		
Franked dividends - nil cents per share (2010: nil cents per share)	-	-
(c) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2010: nil cents per share)	-	-

(d) Franking credit balance

The Company has no franking credits available for dividend payments.

	2011 $	2010 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

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

	2011 $	2010 $
Profit/(loss) after income tax expense	**2,938**	**(52,837)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**688,108**	**688,108**

Note 23. Financial risk management

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

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

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

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

	Carrying amount	
	2011 $	**2010 $**
Cash assets	-	-
Receivables	40,888	32,680
	40,888	**32,680**

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

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

In addition, the Company has an established overdraft facility of $250,000 with Bendigo and Adelaide Bank Ltd.

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

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	29,848	(29,848)	(29,848)	–	–
Loans and borrowings	150,620	–	–	–	–
	180,467	**(29,848)**	**(29,848)**	**–**	**–**
30 June 2010					
Payables	25,859	(25,859)	(25,859)	–	–
Loans and borrowings	184,919	–	–	–	–
	210,778	**(25,859)**	**(25,859)**	**–**	**–**

(c) Market risk

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

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount 2011 $	2010 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(150,620)	(184,919)
	(150,620)	**(184,919)**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

Note 23. Financial risk management (continued)

(e) Capital management

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

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Directors' declaration

In accordance with a resolution of the Directors of Murrimboola Financial Services Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.

B L Sargent	Susan McCarthy
Barbara Sargent	**Susan McCarthy**
Chairman	**Treasurer**

Signed at Harden on 20 October 2011.

Independent audit report

Murrimboola Financial Services Limited

ABN 12 118 357 467

Independent audit report

Report on the financial report

We have audited the accompanying financial report of Murrimboola Financial Services Limited, which comprises the statement of financial position as at 30 June 2011, 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. 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of Murrimboola Financial Services Ltd., would be in the same terms if given to the Directors as at the time of this Auditor's report.

Independent audit report continued

Opinion

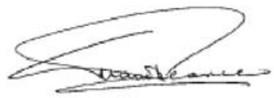
In our opinion:

(a) the financial report of Murrimboola 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.



Grant L Pearce,

Laterals GLP, Chartered Accountants,

35 Montague Street, Goulburn

Harden Murrumburrah **Community Bank®** Branch
23 Neil Street, Harden NSW 2587
Phone: (02) 6386 5083 Fax: (02) 6386 5110

Franchisee: Murrimboola Financial Services Limited
23 Neil Street, Harden NSW 2587
Phone: (02) 6386 5083 Fax: (02) 6386 5110
ABN: 12 118 357 467

www.bendigobank.com.au/harden_murrumburrah
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11047) (08/11)

Bendigo Bank