Murrindindi Community Enterprise Limited

ABN 55 141 660 086

annual report 2011

Yea & District **Community Bank**® Branch

Contents

Chairman's report	**2**
Manager's report	**3**
Directors' report	**4-7**
Financial statements	**8-11**
Notes to the financial statements	**12-24**
Directors' declaration	**25**
Independent audit report	**26-27**

Chairman’s report

For year ending 30 June 2011

In my report last year I stated that your Board looked forward to building relationships with our shareholders, our partners at Bendigo and Adelaide Bank Ltd and the people of Yea and district. I am happy to report that we are very satisfied with the progress we have made towards that vision.

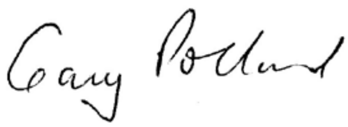
Our business has grown steadily in our first 10 months of operation as you will see in the Company accounts. Our team of staff at our branch has settled in extremely well and has worked hard at growing our business.

The Board and the staff, led by Manager Lyn Southurst, have consistently tried to spread the message of what Yea & District **Community Bank®** Branch can achieve and we have the potential to play a very major part in the future of Yea and district. Even at this very early stage we have invested around $8,000 back into the community since our start-up in August last year and in the coming 12 months another $20,000 or so will be invested. We are able to invest these funds in the community now due to the marketing and development allowance given to us by Bendigo and Adelaide Bank Ltd. As our business grows this allowance will also grow and our capacity to invest will be increased significantly after we become profitable.

Our growth is dependent on increasing our customer base and adding new business with our existing customers. Naturally your Board is very keen to reach the situation where we can not only invest in our community but also pay a dividend to our shareholders.

I urge you to consider your own position in this regard. Are you banking with your own bank? Are you fully committed to banking with your own bank? This is your **Community Bank®** branch and you have an investment in it. It’s really a matter of doing business with yourself and contributing to your community at the same time. I would also urge you to use your position as a shareholder to become an advocate for Yea & District **Community Bank®** Branch to your family, friends and any groups in which you may be involved.

I can assure your Board will continue to make every effort to grow our business in the next 12 months.



Gary Pollard
Chairman

Manager's report

For year ending 30 June 2011

It is time to reflect on our important milestones, our first annual report and our fast approaching 1st birthday on 26 August 2011. I am extremely proud to be part of Yea & District **Community Bank®** Branch, our achievements and success in an uncertain economic environment.

In our 2010 prospectus, a portfolio of $27.5 million was the projected base forecast for the first year of trading. As at June 2011, after approximately 10 months of trading I am delighted to say that it was $25.7 million, being 93% of target to forecast base figure.

Our growth has allowed us to contribute more than $8,000 back into the community through sponsorship and grants.

This has partially been made possible with the assistance from Bendigo and Adelaide Bank Ltd's market development fund as an incentive to grow our branch customer and business base.

I look forward to further growth within Yea & District **Community Bank®** Branch's new and existing customer base which will see increased sponsorship activity and grants programmes.

We look forward to our very first community grants evening in November where we will provide to organisations funds for projects in areas they choose, which help build and strengthen our entire area.

The progress we have achieved would not have been possible without the continued hard work and commitment from staff, Directors of the Board, Bendigo and Adelaide Bank Ltd's assistance and support, shareholders and most importantly the continued support of our customers and community. My heart felt thanks to you all.

Our team connects with the local community they live and work in by volunteering or partnering with local organisations. We strive to ensure our customers receive the very best customer service. We pride ourselves in our ability to listen and engage with our customers whilst maintaining and developing new and existing relationships within our community.

Together, we can build a better community and by choosing something as simple as banking with Yea & District **Community Bank®** Branch, you are directly supporting your community.

Once again, thank you to all who have assisted with our progress, and I look forward to sharing our branch's journey with you all.

Lyn Southurst
Branch Manager

Directors' report

For the financial year ended 30 June 2011

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

Directors

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

Gary Robert Pollard
Chairman
Community Pharmacist

James Gregory Osborne
Treasurer
Grazier, Financial Manager

Russell George Wealands
Director
Water Management Consultant

David Earlsley Roberts
Company Secretary
Mixed Farming - Cattle & Herbs

Gordon John Handsaker
Director
Retired

David Murdoch Long
Director
Retired, Hobby Farmer

Peter Heath
Director
Medical Consultant

Susan Margaret Devereaux
Director
Hobby Farmer, Bookkeeper,
Owner Operator of Small Business

Kim Maree Chadband
Director
Project Manager

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.

Review of operations

Operations have continued to perform in line with expectations. The loss after income tax expense for the Company for the financial year was $164,188 (2010: $597).

Dividends

The Directors recommend that no dividend be paid for the current year.

Directors' report continued

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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration report

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

Indemnification and insurance of Directors and Officers

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

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

Directors' report continued

Directors' meetings

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

Director	Board meetings #	Audit committee meetings #
Gary Robert Pollard	12 (12)	1(1)
James Gregory Osborne	11 (12)	N/A
Russell George Wealands	10 (12)	N/A
David Earlsley Roberts	11 (12)	N/A
Gordon John Handsaker	10 (12)	N/A
David Murdoch Long	10 (12)	1(1)
Peter Heath	12 (12)	1(1)
Susan Margaret Devereaux	10 (12)	N/A
Kim Maree Chadband	9 (12)	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

David Earsley Roberts has been the Company Secretary of Murrindindi Community Enterprise Limited since 2 September 2010. David's qualifications and experience include being an executive member of Western Mining Corporation's global exploration management team. David spent 31 years in mineral exploration and mining geology in Australia and in 12 countries internationally.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are G Pollard (chair), D. Long, P. Heath, & K. Chadband.

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

(c) Ongoing Director training; and

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

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

27 September 2011

The Directors
Murrindindi Community Enterprise Limited
66 High Street
YEA VIC 3717

Dear Sirs

Auditor's Independence Declaration

In relation to our audit of the financial report of Murrindindi Community Enterprise Limited for the 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.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Yea on 23 of September 2011.

Gary Robert Pollard, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	173,531	12,531
Employee benefits expense	3	(220,299)	(10,000)
Charitable donations and sponsorship		(3,731)	(1,892)
Depreciation and amortisation expense	3	(32,829)	-
Other expenses		(141,870)	(3,830)
Profit/(loss) before income tax expense		**(225,198)**	**(3,191)**
Income tax expense/(benefit)	4	(61,010)	(2,594)
Profit/(loss) after income tax expense		**(164,188)**	**(597)**
Other comprehensive income		-	-
Total comprehensive income		**(164,188)**	**(597)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(20.02)	(0.08)
- diluted for profit / (loss) for the year	21	(20.02)	(0.08)

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	311,560	638,529
Receivables	7	25,560	13,909
Total current assets		**337,120**	**652,438**
Non-current assets			
Property, plant and equipment	8	149,340	-
Deferred tax assets	4	63,604	2,594
Intangible assets	9	103,720	110,000
Total non-current assets		**316,664**	**112,594**
Total assets		**653,784**	**765,032**
Current liabilities			
Payables	10	16,791	3,200
Provisions	11	8,949	-
Total current liabilities		**25,740**	**3,200**
Total liabilities		**25,740**	**3,200**
Net assets		**628,044**	**761,832**
Equity			
Share capital	12	792,829	762,429
Retained earnings / (accumulated losses)	13	(164,785)	(597)
Total equity		**628,044**	**761,832**

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		162,866	12,040
Cash payments in the course of operations		(359,225)	(26,431)
Interest received		14,879	491
Net cash flows used in operating activities	**14b**	**(181,480)**	**(13,900)**
Cash flows from investing activities			
Purchase of intangible assets		(12,056)	(110,000)
Purchase of property, plant and equipment		(163,833)	-
Net cash flows used in investing activities		**(175,889)**	**(110,000)**
Cash flows from financing activities			
Proceeds from issue of shares		30,400	789,709
Payment for share issue costs		-	(27,280)
Net cash flows from financing activities		**30,400**	**762,429**
Net increase/(decrease) in cash held		**(326,969)**	**638,529**
Cash and cash equivalents at start of year		638,529	-
Cash and cash equivalents at end of year	**14a**	**311,560**	**638,529**

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		762,429	-
Issue of share capital		30,400	789,709
Share issue costs		-	(27,280)
Balance at end of year		**792,829**	**762,429**
Retained earnings / (accumulated losses)			
Balance at start of year		(597)	-
Profit/(loss) after income tax expense		(164,188)	(597)
Balance at end of year		**(164,785)**	**(597)**

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

Murrindindi Community Enterprise 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 27 September 2011.

(b) Statement of compliance

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

(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.

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
Plant & equipment	4-100%

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.

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

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 statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

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.

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.

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

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.

Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year. The Company commenced operations during the prior period and hence comparative figures are for the period ending 30 June 2010.

	2011 $	2010 $

Note 2. Revenue from continuing operations

	2011 $	2010 $
Operating activities		
- services commissions	158,652	-
- other revenue	-	12,040
	158,652	**12,040**
Non-operating activities:		
- interest received	14,879	491
- other revenue	-	-
	14,879	**491**
	173,531	**12,531**

Note 3. Expenses

	2011 $	2010 $
Employee benefits expense		
- wages and salaries	194,550	10,000
- superannuation costs	16,834	-
- workers' compensation costs	647	-
- other costs	8,268	-
	220,299	**10,000**
Depreciation of non-current assets:		
- plant and equipment	14,493	-

Notes to the financial statements continued

	2011 $	2010 $
Note 3. Expenses (continued)		
Amortisation of non-current assets:		
- intangibles	18,336	-
	32,829	**-**

Note 4. Income tax expense

	2011 $	2010 $
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%	(67,559)	(957)
Add tax effect of:		
- Non-deductible expenses	6,549	(1,637)
Current income tax expense/(benefit)	**(61,010)**	**(2,594)**
Income tax expense/(benefit)	**(61,010)**	**(2,594)**
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.	**63,604**	**2,594**

Note 5. Auditors' remuneration

	2011 $	2010 $
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	**2,900**	**-**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**311,560**	**638,529**

Note 7. Receivables

	2011 $	2010 $
Sundry debtor	1,466	-
Prepayments	3,191	-
Trade debtors	20,903	13,909
	25,560	**13,909**

	2011 $	2010 $

Note 8. Property, plant and equipment

	2011 $	2010 $
Leasehold improvements		
At cost	85,247	-
Less accumulated depreciation	(2,952)	-
	82,295	**-**
Plant and equipment		
At cost	78,586	-
Less accumulated depreciation	(11,541)	-
	67,045	**-**
Total written down amount	**149,340**	**-**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	-	-
Additions	85,247	-
Disposals	-	-
Depreciation expense	(2,952)	-
Carrying amount at end of year	**82,295**	**-**
Plant and equipment		
Carrying amount at beginning of year	-	-
Additions	78,586	-
Disposals	-	-
Depreciation expense	(11,541)	-
Carrying amount at end of year	**67,045**	**-**

Note 9. Intangible assets

	2011 $	2010 $
Goodwill	**12,056**	**-**
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(1,668)	-
	8,332	**10,000**

Notes to the financial statements continued

	2011 $	2010 $

Note 9. Intangible assets (continued)

Preliminary expenses

At cost	100,000	100,000
Less accumulated amortisation	(16,668)	-
	83,332	**100,000**
	103,720	**110,000**

Note 10. Payables

Trade creditors	7,894	3,200
Other creditors and accruals	8,897	-
	16,791	**3,200**

Note 11. Provisions

Employee benefits	**8,949**	**-**
Movement in employee benefits		
Opening balance	-	-
Additional provisions recognised	16,940	-
Amounts utilised during the year	(7,991)	-
Closing balance	**8,949**	**-**

Note 12. Share capital

820,109 Ordinary shares fully paid of $1 each	820,109	789,709
Less: equity raising expenses	(27,280)	(27,280)
	792,829	**762,429**
Movement in share capital		
Opening balance	789,709	-
Additional capital raised	30,400	789,709
Closing balance	**820,109**	**789,709**

	2011 $	2010 $

Note 13. Retained earnings / (accumulated losses)

	2011 $	2010 $
Balance at the beginning of the financial year	(597)	-
Profit/(loss) after income tax	(164,188)	(597)
Dividends	-	-
Balance at the end of the financial year	**(164,785)**	**(597)**

Note 14. Statement of cash flows

(a) Cash and cash equivalents

	2011 $	2010 $
Cash assets	311,560	-
	311,560	**-**

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

	2011 $	2010 $
Profit / (loss) after income tax	(164,188)	(597)
Non cash items		
- Depreciation	14,493	-
- Amortisation	18,336	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(11,651)	(13,909)
- (Increase) decrease in deferred tax assets	(61,010)	(2,594)
- Increase (decrease) in payables	13,591	3,200
- Increase (decrease) in provisions	8,949	-
Net cash flows from/(used in) operating activities	**(181,480)**	**(13,900)**

Note 15. Director and related party disclosures

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

Gary Robert Pollard
James Gregory Osborne
Russell George Wealands
David Earlsley Roberts
Gordon John Handsaker
David Murdoch Long
Peter Heath
Susan Margaret Devereaux
Kim Maree Chadband

Note 15. Director and related party disclosures (continued)

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

Directors' shareholdings	**2011**	**2010**
Gary Robert Pollard	36,001	35,001
James Gregory Osborne	57,501	57,501
Russell George Wealands	10,001	10,001
David Earlsley Roberts	1,001	1,001
Gordon John Handsaker	1,001	1,001
David Murdoch Long	20,001	20,001
Peter Heath	5,001	5,001
Susan Margaret Devereaux	4,001	4,001
Kim Maree Chadband	15,001	10,001

Movement in Directors' shareholdings are shown above. Each share held has a paid up value of $1

Note 16. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 17. Contingent liabilities and assets

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

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Yea, Victoria.

Note 19. Corporate information

Murrindindi Community Enterprise Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: 66 High Street,
Yea VIC 3717

Note 20. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

	2011 $	2010 $
Note 21. 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:		
Profit/(loss) after income tax expense	**(164,188)**	**(597)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**820,109**	**789,709**

Note 22. 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.

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

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	311,560	638,529
Receivables	25,560	13,909
	337,120	**652,438**

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

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

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

(b) Liquidity risk

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

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

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	16,791	(16,791)	(16,791)	–	–
	16,791	**(16,791)**	**(16,791)**	**–**	**–**
30 June 2010					
Payables	3,200	(3,200)	(3,200)	–	–
	3,200	**(3,200)**	**(3,200)**	**–**	**–**

Note 22. Financial risk management (continued)

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Financial assets	208,898	-
Financial liabilities	-	-
	208,898	**-**
Variable rate instruments		
Financial assets	102,662	638,529
Financial liabilities	-	-
	102,662	**638,529**

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 22. 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 Murrindindi Community Enterprise Limited, I state that:

In the opinion of the Directors:

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

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

  (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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.

Gary Pollard

Gary Robert Pollard, Chairman

Signed at Yea on 27 September 2011.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF MURRINDINDI COMMUNITY ENTERPRISE LIMITED

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Murrindindi Community Enterprise Limited, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
Level 2, 10–16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Murrindindi Community Enterprise Limited is in accordance with:

(a) 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 Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 27 September 2011

Yea & District **Community Bank**® Branch
66 High Street, Yea VIC 3717
Phone: (03) 5797 2188

Franchisee: Murrindindi Community Enterprise Limited
66 High Street, Yea VIC 3717
ABN: 55 141 660 086

www.bendigobank.com.au/yea
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11033) (07/11)

Bendigo Bank