Yea & District **Community Bank®** Branch

2012

annual report

Murrindindi Community Enterprise Limited

ABN 55 141 660 086

Contents

Chairman's report

For year ending 30 June 2012

Our second year of operation has seen the growth pattern, established in our first year, maintained. By any measure an overall business growth rate of 23% and an increase in customer base of 30% is an excellent result. The most pleasing aspect is that this growth rate shows no sign of slowing.

This growth rate can be attributed to a number of factors- an excellent team at our branch led by Manager, Lyn Southurst, consistent and positive support from all sections of Bendigo and Adelaide Bank's administration, and of course the energetic input of my fellow Board members.

However, I believe, the most important aspect is the growing understanding by the people of Yea, of the **Community Bank®** concept. More and more people are coming to realize that we are here to stay and that by doing business with the Community's own **Community Bank®** branch the benefits to the community will continue to grow.

Everyone associated with our **Community Bank®** branch were saddened by the death of Director David Long. David made a significant contribution to the steering committee and then to the Board. His wise counsel and humour will be sadly missed.

The Board will continue to strive to maintain our growth rate and improve the returns to the people of Yea and district.

Gary Pollard

Gary Pollard
Chairman

Manager's report

For year ending 30 June 2012

I am pleased to submit the Manager's report for the year ending 30 June 2012, and am extremely proud of our achievements over the past year.

During the past 12 months our business grew by $7.868 million, with deposits and lending balances as at 30 June 2012 $33.644 million, an increase of 23.38% from last year.

In the prospectus, a portfolio of $37.5 million was projected for the end of second year of trading as at 26 August 2012. Currently we have achieved is 89.58% of forecast base figure.

Our customer base has seen an increase of 30%.

We have contributed over $20,000 back into the community through sponsorship and community investments since opening. This has been made possible with the assistance from Bendigo and Adelaide Bank's Market Development Fund as an incentive to grow our branch customer and business base.

We look forward to our second annual community grants evening in November, which will follow on from our AGM. Our **Community Bank®** branch will provide funds to boost organisations projects and initiatives in areas they choose, each tells a unique story of community collaboration 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's assistance and support, shareholders and most importantly the continued support of our customers and community. My heart felt thanks to you all.

Your **Community Bank®** team provide an exceptional level of service and expert advice on the broad range of financial services and products that Bendigo and Adelaide Bank offers which include home loans, personal loans, term deposits and Insurance. Our specialists team of Paul Brock, Business Banking, Peter Nolan, Agribusiness and Debra Polkingthorne, Financial Planning visit our branch on a regular basis and are available for appointments.

We are confident that our business will continue to grow and feed into prosperity as the **Community Bank®** branch's unique philosophy resonates with customers and community groups.

Please encourage your family, friends and neighbours to transfer their banking if they have not already done so. By choosing something as simple as banking with the Yea & District **Community Bank®** Branch, you directly support the community.

Once again, thank you to all who have assisted with our progress, and as we move forward, look forward to sharing our progress with you.

Lyn Southurst
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

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
Board member since January 2010

Russell George Wealands
Director
Water Management Consultant
Board member since January 2010

Gordon John Handsaker
Director
Retired
Board member since January 2010

Peter Heath
Director
Medical Consultant
Board member since January 2010

Kim Maree Chadband
Director
Project Manager
Board member since January 2010

James Gregory Osborne
Treasurer
Grazier, Financial Manager
Board member since January 2010

David Earlsley Roberts
Company Secretary
Mixed Farming - Cattle & Herbs
Board member since January 2010

David Murdoch Long (deceased)
Director
Retired, Hobby Farmer
Board member since January 2010

Susan Margaret Devereaux
Director
Hobby Farmer, Bookkeeper,
Owner Operator of Small Business
Board member since January 2010

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.

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

Operating results

The loss after income tax expense for the company for the financial year was $114,362 (2011: $164,188).

Dividends

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

Financial position

The net assets of the company have decreased by $ 114,362 from 30 June 2011 to $ 513,682 in 2012. The decrease is largely due to the operating performance of the company.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

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.

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.

Indemnifying Officers or Auditor

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.

Directors' report (continued)

Directors' meetings

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

Director	Board meetings#	Audit committee meetings#
Gary Robert Pollard	10 (10)	2 (2)
James Gregory Osborne	8 (10)	N/A
Russell George Wealands	7 (10)	N/A
David Earlsley Roberts	10 (10)	N/A
Gordon John Handsaker	9 (10)	N/A
David Murdoch Long (deceased)	3 (6)	N/A
Peter Heath	9 (10)	1 (2)
Susan Margaret Devereaux	8 (10)	N/A
Kim Maree Chadband	8 (10)	2 (2)

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 Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 7 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Yea on 6 of September 2012.

Gary Pollard

Gary Robert Pollard
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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6 September 2012

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

To the Directors of Murrindindi Community Enterprise Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Dated at Bendigo, 6 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	276,506	173,531
Employee benefits expense	3	(239,782)	(220,299)
Depreciation and amortisation expense	3	(38,931)	(32,829)
Other expenses		(139,446)	(141,870)
Operating profit/(loss) before charitable donations & sponsorships		**(141,653)**	**(221,467)**
Charitable donations and sponsorship		(12,486)	(3,731)
Profit/(loss) before income tax expense		**(154,139)**	**(225,198)**
Income tax expense / (benefit)	4	(39,777)	(61,010)
Net profit/(loss) for the year		**(114,362)**	**(164,188)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(114,362)**	**(164,188)**

Earnings per share (cents per share)			
- Basic for profit / (loss) for the year	21	(13.94)	(20.02)
- Diluted for profit / (loss) for the year	21	(13.94)	(20.02)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	210,562	311,560
Receivables	7	29,757	25,560
Total current assets		**240,319**	**337,120**
Non-current assets			
Property, plant and equipment	8	134,827	149,340
Deferred tax assets	4	103,381	63,604
Intangible assets	9	81,720	103,720
Total non-current assets		**319,928**	**316,664**
Total assets		**560,247**	**653,784**
Liabilities			
Current liabilities			
Payables	10	32,612	16,791
Provisions	11	13,953	8,949
Total current liabilities		**46,565**	**25,740**
Total liabilities		**46,565**	**25,740**
Net assets		**513,682**	**628,044**
Equity			
Issued capital	12	792,829	792,829
Retained earnings / (accumulated losses)	13	(279,147)	(164,785)
Total equity		**513,682**	**628,044**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		286,887	162,866
Cash payments in the course of operations		(397,351)	(359,225)
Interest received		11,884	14,879
Net cash flows used in operating activities	**14b**	**(98,580)**	**(181,480)**
Cash flows from investing activities			
Purchase of intangible assets		-	(12,056)
Purchase of property, plant and equipment		(2,418)	(163,833)
Net cash flows used in investing activities		**(2,418)**	**(175,889)**
Cash flows from financing activities			
Proceeds from issue of shares		-	30,400
Net cash flows from financing activities		**-**	**30,400**
Net increase/(decrease) in cash held		**(100,998)**	**(326,969)**
Cash and cash equivalents at start of year		311,560	638,529
Cash and cash equivalents at end of year	**14a**	**210,562**	**311,560**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		792,829	762,429
Issue of share capital		-	30,400
Balance at end of year		**792,829**	**792,829**
Retained earnings / (accumulated losses)			
Balance at start of year		(164,785)	(597)
Net profit/(loss) for the year		(114,362)	(164,188)
Balance at end of year		**(279,147)**	**(164,785)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Murrindindi Community Enterprise Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 6 September 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(d) Impairment 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.

(e) 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.

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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements 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. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) 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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

Revenue from continuing activities		
- services commissions	264,622	158,652
	264,622	**158,652**
Other revenue		
- interest received	11,884	14,879
	11,884	**14,879**
	276,506	**173,531**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	208,297	194,550
- superannuation costs	18,274	16,834
- workers' compensation costs	503	647
- other costs	12,708	8,268
	239,782	**220,299**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	16,931	14,493
Amortisation of non-current assets:		
- intangible assets	22,000	18,336
	38,931	**32,829**

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%	(46,242)	(67,559)
Add tax effect of:		
- Non-deductible expenses	6,465	6,549
Current income tax expense/(benefit)	**(39,777)**	**(61,010)**
Income tax expense/(benefit)	**(39,777)**	**(61,010)**
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.	**103,381**	**63,604**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

- Audit or review of the financial report	**3,900**	**2,900**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**210,562**	**311,560**

Note 7. Receivables

Sundry debtor	-	1,466
Prepayments	3,260	3,191
Trade debtors	26,497	20,903
	29,757	**25,560**

	2012 $	2011 $

Note 8. Property, plant and equipment

	2012 $	2011 $
Leasehold Improvements		
At cost	85,247	85,247
Less accumulated depreciation	(6,362)	(2,952)
	78,885	**82,295**
Plant and equipment		
At cost	81,004	78,586
Less accumulated depreciation	(25,062)	(11,541)
	55,942	**67,045**
Total written down amount	**134,827**	**149,340**
Movements in carrying amounts		
Leasehold Improvements		
Carrying amount at beginning of year	82,295	-
Additions	-	85,247
Depreciation expense	(3,410)	(2,952)
Carrying amount at end of year	**78,885**	**82,295**
Plant and equipment		
Carrying amount at beginning of year	67,045	-
Additions	2,418	78,586
Depreciation expense	(13,521)	(11,541)
Carrying amount at end of year	**55,942**	**67,045**

Note 9. Intangible assets

	2012 $	2011 $
Goodwill	**12,056**	**12,056**
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(3,668)	(1,668)
	6,332	**8,332**
Preliminary expenses		
At cost	100,000	100,000
Less accumulated amortisation	(36,668)	(16,668)
	63,332	**83,332**
	81,720	**103,720**

Notes to the financial statements (continued)

	2012 $	2011 $

Note 10. Payables

	2012 $	2011 $
Trade creditors	17,767	7,894
Other creditors and accruals	14,845	8,897
	32,612	**16,791**

Note 11. Provisions

	2012 $	2011 $
Employee benefits	**13,953**	**8,949**
Movement in employee benefits		
Opening balance	8,949	-
Additional provisions recognised	5,004	16,940
Amounts utilised during the year	-	(7,991)
Closing balance	**13,953**	**8,949**

Note 12. Share capital

	2012 $	2011 $
820,109 Ordinary Shares fully paid of $1 each	820,109	820,109
Less: equity raising expenses	(27,280)	(27,280)
	792,829	**792,829**
Movement in share capital		
Opening balance	820,109	789,709
Additional capital raised	-	30,400
Closing balance	**820,109**	**820,109**

Note 13. Retained earnings / (accumulated losses)

	2012 $	2011 $
Balance at the beginning of the financial year	(164,785)	(597)
Profit/(loss) after income tax	(114,362)	(164,188)
Dividends	-	-
Balance at the end of the financial year	**(279,147)**	**(164,785)**

	2012 $	2011 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	210,562	311,560
	210,562	**311,560**

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

	2012 $	2011 $
Profit / (loss) after income tax	(114,362)	(164,188)
Non cash items		
- Depreciation	16,931	14,493
- Amortisation	22,000	18,336
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,197)	(11,651)
- (Increase) decrease in deferred tax assets	(39,777)	(61,010)
- Increase (decrease) in payables	15,821	13,591
- Increase (decrease) in provisions	5,004	8,949
Net cash flows from/(used in) operating activities	**(98,580)**	**(181,480)**

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 (deceased)
Peter Heath
Susan Margaret Devereaux
Kim Maree Chadband

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

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2012	2011
Gary Robert Pollard	36,001	36,001
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 (deceased)	20,001	20,001
Peter Heath	5,001	5,001
Susan Margaret Devereaux	4,001	4,001
Kim Maree Chadband	15,001	15,001

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

Note 16. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Yea, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

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.

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:

	2012 $	2011 $
Profit/(loss) after income tax expense	**(114,362)**	**(164,188)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**820,109**	**820,109**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	210,562	311,560
Receivables	7	29,757	25,560
Total financial assets		**240,319**	**337,120**
Financial liabilities			
Payables	10	32,612	16,791
Total financial liabilities		**32,612**	**16,791**

<u>Financial risk management policies</u>

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.

Note 23. Financial risk management (continued)

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012	**2011**
	$	**$**
Cash and cash equivalents	210,562	311,560
Receivables	29,757	25,560
	240,319	**337,120**

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.

None of the assets of the company are past due (2011: 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.

(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.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(32,612)	(32,612)	–	–
Total expected outflows	**(32,612)**	**(32,612)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	210,562	210,562	–	–
Receivables	29,757	29,757	–	–
Total anticipated inflows	**240,319**	**240,319**	**–**	**–**
Net (outflow)/inflow on financial instruments	**207,707**	**207,707**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(16,791)	(16,791)	–	–
Total expected outflows	**(16,791)**	**(16,791)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	311,560	311,560	–	–
Receivables	25,560	25,560	–	–
Total anticipated inflows	**337,120**	**337,120**	**–**	**–**
Net (outflow)/inflow on financial instruments	**320,329**	**320,329**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

Note 23. 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 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 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	152,247	208,898
	152,247	**208,898**
Floating rate instruments		
Financial assets	58,314	102,662
	58,314	**102,662**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

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 2012 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, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 8 to 26 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

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.

Gary Pollard

Gary Robert Pollard
Chairman

Signed at Yea on 6 September 2012.

Independent audit report

Richmond
Sinnott &
Delahunty
Chartered Accountants

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Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF MURRINDINDI COMMUNITY ENTERPRISE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Murrindindi Community Enterprise Limited, which comprises the statement of financial position as at 30 June 2012, 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 and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

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(a), 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 (IFRS).

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 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 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.

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Murrindindi Community Enterprise 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 2012 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 the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 6 September 2012

Franchisee: Murrindindi Community Enterprise Limited
66 High Street, Yea VIC 3717
Phone: (03) 5797 2188
ABN: 55 141 660 086
www.bendigobank.com.au/yea

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Bendigo Bank

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