Mundubbera

Financial Services Limited

ABN 33 120 578 565

annual report 2011

Mundubbera **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2011

The past year has seen Mundubbera **Community Bank**® Branch growth soar to a level where it is now on the verge of breaking even. This is due to a lot of hard work by our Branch Manager Rob Watt, our loyal staff, diligent spending of Market Development Funds and the growing realisation by the public that support of this great concept is of enormous benefit to our community. There is however, much more work to be done in education of the concept. It is expected that the growth will continue.

We all clearly recall the devastation wreaked by the floods in January this year. The **Community Bank**® branch launched an appeal to benefit North Burnett residents which raised $7,000. Bendigo Bank launched a national appeal and distributed those funds to affected areas where needed. Our area was allocated $270,000 of which $40,000 will go to Theodore and the remainder spent in the North Burnett. These funds are to be directed towards projects that will benefit and assist our communities in the event of another disaster. It is very important to realise that these funds are available to the North Burnett solely because we have a **Community Bank**® branch of Bendigo Bank.

In June 2009, Mundubbera **Community Bank**® Branch was the first in Australia to hold a public forum to gauge what the community thought were problems that needed attention. The ensuing two years saw most of those problems addressed. In June 2011 we were again the first **Community Bank**® branch in Australia to hold a second forum. The matters arising from that forum are being addressed as well as suggestions on how best to use the flood appeal funds.

Your Board of directors continue to meet monthly to monitor progress of the branch and discuss ways of increasing growth. Two new directors, Alex O'Neill and Paul Dare will present themselves for election at the AGM. They both bring enormous experience in many fields and will be a great asset to the Board.

Tim Duggan

Chairman

Manager's report

For year ending 30 June 2011

Another year passes, with its associated challenges.

We have continued our better than planned growth in the business and better than forecasted income whilst keeping expenses under budget; overall a pleasing result.

During the year we have faced the devastating flood events and the accompanying severe financial impacts which continue now. Many rural producers have suffered large financial imposts and supply problems. We have also had a major restructure in staffing which always comes with associated challenges. During these challenges we have maintained our focus and have delivered results. We also benefit from my accreditation as Agribusiness Manager and our direct access to Rural Bank products in house locally here in Mundubbera.

We are seeing much better community recognition and our direct contribution back into our community is escalating accordingly. With the assistance of Community Enterprise Foundation™ we have identified and are progressing to funding of major community projects, in close alliance with some of our community partners such as North Burnett Regional Council, for the direct and tactile benefit of our community, the reason we have a **Community Bank**® branch to start with.

Our business pipeline continues to be strong and forecasts for the coming year see us working to maintain past levels of growth.

I would like to thank my staff for their contribution , without them we have no business and thank you to the Board who's support and co-operative approach aids us all in our joint endeavours. Finally, to the customers and wider community who show their support by banking with their local **Community Bank**® branch, thankyou.

Rob Watt

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, Generation Green, Community Telco, Generation Green™ and Community Enterprises) that will provide boards with further development options.

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

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

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

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

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

Bendigo and Adelaide Bank Ltd report continued

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

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

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

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

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

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements 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:

Timothy Gerard Duggan
Chairman

Age: 59

Businessman, owner of Mundubbera Butchering Co.

25 years involved in cattle grazing, feed lotting, dubosia production and hotel industries. 15 years as owner and operator of Mundubbera Butchering Co. Social member of the golf club, bowls club and member of Rotary.

Interests in shares: 2,001

Douglas John Balshaw
Director

Age: 50

Teacher - Head of Department

Experience in retail, meat and food processing industry and technology. Holds a Bachelor of Education and is currently Head of Department at Mundubbera State School. He is a life member of the Mundubbera Apex Club and currently the President of the Mundubbera Rugby League and Mundubbera Rotary Club. John and his wife Debbie own a small hardware store in Mundubbera, where they assist with the operation of the business on a daily and weekend basis.

Interests in shares: 2,501

Loris Jean Doessel
Treasurer

Age: 53

Administration Officer

Mundubbera Shire Councillor from 2000 to 2008. Experience in banking, administration and lucerne farming. Involved as office bearer in several local and regional community organisations. Holds a Diploma of Management.

Interests in shares: 34,001

Letetia Maree Berthelsen
Director

Age: 39

Customer Service Officer

Current member of Central Burnett Gun Club in the role of secretary and treasurer, current member of the Order of the Eastern Star and volunteer for Monty's Foundation. Holds a Certificate III in Children Services, Certificate III in Business Administration and Customer Service Officer Certificate. 5 years experience in administration roles within the community 4 years in the banking industry.

Interests in shares: 1,000

Gary Raymond Harris
Director

Age: 47

Managing Director of Bus Company

Member of North Burnett Regional Council Business Advisory group, QLPLA underbay, Burnett State College, Guyndah junior soccer.

Interests in shares: 3,000

Deann Maree Robinson

Director

Age: 37

IGA Supermarket Store Manager

Experience in citrus industry and retail store management. Holds a Diploma of Retail Management and awarded IGA store manager of the year for QLD and NSW in 2006.

Interests in shares: 1,001

Alexandra Winter O'Neill

Director - (Appointed 28 March 2011)

Age: 59

Grazier

Member Mundubbera Enterprise Association Inc, State Councillor AGForce QLD, Director Monty's Foundation.

Interest in shares: 50,000

David James Jenkinson

Director - (Resigned 15 November 2010)

Age: 59

Motor Mechanic and Bus Driver

Councillor of Mundubbera Shire from 2000 to 2008 (Deputy Mayor from 2004). Member of Rotary Club for 11 years and member of the Mundubbera Baptist Church.

Interests in shares: 5,001

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Alex O'Neill. Alex replaces Letetia Berthelsen after her resignation on 31 January 2011.

Alex was appointed on the 25 July 2011 after Loris Doessel was acting as the company secretary from the 1 February 2011.

Principal Activities

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

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 loss of the company for the financial year after provision for income tax was:

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
	(80,557)	(182,325)

Remuneration Report

No director receives remuneration for services as a company director or committee member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

Letetia Berthelsen, who was appointed as a director on 28 September 2009 is employed by Mundubbera Financial Services Limited as Customer Service Officer. Letetia received nil remuneration or benefits as a director however is remunerated in her capacity of Customer Service Officer. Her remuneration is consistent with the level of remuneration typical for this type of position.She received $43,351 in gross wages, $260 between 1 July 2010 and 31 January 2011. Letetia resigned from the board on the 31st January 2011.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 or the financial statements.

Matters Subsequent to the End of the Financial Year

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 facilitating banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation.

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 except as disclosed in note 18 to the financial statements. 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 indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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 by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible to attend	**Amount Attended**
Timothy Gerard Duggan	11	11
Loris Jean Doessel	11	11
Douglas John Balshaw	11	10
Letetia Maree Berthelsen	9	9
David James Jenkinson	3	2
Gary Raymond Harris	11	9
Deann Maree Robinson	11	9
Alexandra Winter O'Neill	4	4

The board has the following sub-committees, Governance, Public Relations & Marketing, Human Resources, Director Recruitment & Succession Planning, Audit, Asset Management and Strategic Growth & Risk Management. The sub-committees met on an adhoc basis and do not maintain official records and report to board meetings as required.

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Mundubbera, Queensland on 27 September 2011.

Timothy Gerard Duggan

Chairman

Auditor's independence declaration

Partners in success
Chartered Accountants

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Mundubbera Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street Bendigo 3550

27 September 2011

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	354,457	260,977
Employee benefits expense		(216,167)	(249,591)
Charitable donations, sponsorship, advertising and promotion		(20,004)	(14,766)
Occupancy and associated costs		(31,156)	(27,424)
Systems costs		(21,360)	(21,789)
Depreciation and amortisation expense	5	(12,518)	(17,492)
Finance costs	5	(31,021)	(37,129)
General administration expenses		(102,788)	(75,111)
Loss before income tax		**(80,557)**	**(182,325)**
Income tax	6	-	-
Loss after income tax		(80,557)	(182,325)
Total comprehensive income for the year		**(80,557)**	**(182,325)**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	20	(13.35)	(30.22)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Trade and other receivables	7	21,949	13,895
Total Current Assets		**21,949**	**13,895**
Non-Current Assets			
Property, plant and equipment	8	135,431	169,585
Intangible assets	9	667	2,667
Total Non-Current Assets		**136,098**	**172,252**
Total Assets		**158,047**	**186,147**
LIABILITIES			
Current Liabilities			
Trade and other payables	10	15,692	11,889
Borrowings	11	533,860	460,683
Provisions	12	671	9,150
Total Current Liabilities		**550,223**	**481,722**
Non-Current Liabilities			
Borrowings	11	-	15,636
Provisions	12	4,525	4,933
Total Non-Current Liabilities		**4,525**	**20,569**
Total Liabilities		**554,748**	**502,291**
Net Assets		**(396,701)**	**(316,144)**
Equity			
Issued capital	13	572,563	572,563
Accumulated losses	14	(969,264)	(888,707)
Total Equity		**(396,701)**	**(316,144)**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the Year Ended 30 June 2011

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	**572,563**	**(706,382)**	**(133,819)**
Total comprehensive income for the year	**-**	**(182,325)**	**(182,325)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	**572,563**	**(888,707)**	**(316,144)**
Balance at 1 July 2010	**572,563**	**(888,707)**	**(316,144)**
Total comprehensive income for the year	**-**	**(80,557)**	**(80,557)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	**572,563**	**(969,264)**	**(396,701)**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		348,225	261,133
Payments to suppliers and employees		(393,245)	(386,798)
Interest paid		(31,021)	(33,992)
Net cash used in operating activities	**15**	**(76,041)**	**(159,657)**
Cash Flows From Investing Activities			
Proceeds for property, plant and equipment		18,500	-
Net cash provided by investing activities		**18,500**	**-**
Cash Flows From Financing Activities			
Repayment of borrowings		(23,819)	(5,988)
Net cash used in financing activities		**(23,819)**	**(5,988)**
Net decrease in cash held		**(81,360)**	**(165,645)**
Cash and cash equivalents at the beginning of the financial year		(441,661)	(276,016)
Cash and cash equivalents at the end of the financial year	**11(a)**	**(523,021)**	**(441,661)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

  In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

  Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

  Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

  Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

  The company's financial statements contain a single statement of comprehensive income.

  Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Note 1. Summary of Significant Accounting Policies (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

"The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Mundubbera, Queensland.

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

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The company has, as part of its normal operations, obtained a temporary overdraft facility with Bendigo and Adelaide Bank Limited for $560,000, to help finance operations. It is likely that this facility will need to be increased if it is to be sufficient to meet expected cash outflows before the branch breaks even. This increase has not yet been applied for but the directors believe that such an application would be approved by the Bendigo and Adelaide Bank Limited. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2011/12 financial year. This support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has be exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its Community Bank® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and Community Bank® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

e) Cash and Cash Equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Note 1. Summary of Significant Accounting Policies (continued)

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Note 1. Summary of Significant Accounting Policies (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(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 using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) 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 of 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) Contributed Equity

Ordinary shares are 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) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) 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 balance sheet. 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 taxation authority are classified as operating cash flows.

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

Note 2. Financial Risk Management (continued)

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 balance sheet.

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.

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2011 $	**2010 $**

Note 4. Revenue from Ordinary Activities

	2011 $	2010 $
Operating activities:		
- services commissions	354,457	260,977
Total revenue from operating activities	**354,457**	**260,977**

Note 5. Expenses

	2011 $	2010 $
Depreciation of non-current assets:		
- plant and equipment	2,541	6,282
- leasehold improvements	7,977	9,210
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	12,518	**17,492**
Finance costs:		
- interest paid	31,021	37,129
Bad debts	897	582
Loss on car disposal	**23,636**	**-**

	2011 $	2010 $

Note 6. Income Tax Credit

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2011 $	2010 $
Operating loss	(80,557)	(182,325)
Prima facie tax on loss from ordinary activities at 30%	(24,167)	(54,698)
Add tax effect of:		
- non-deductible expenses	600	600
- timing difference expenses	(1,702)	1,172
- other deductible expenses	(1,851)	(1,851)
	(27,120)	**(54,777)**
Income tax losses		
Opening balance	267,933	213,156
Future income tax benefit not brought to account	27,120	54,777
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	**295,053**	**267,933**

Note 7. Trade and Other Receivables

	2011 $	2010 $
Trade receivables	21,949	13,895
	21,949	**13,895**

	2011 $	2010 $

Note 8. Property, Plant and Equipment

	2011 $	2010 $
Plant and equipment		
At cost	49,036	80,110
Less accumulated depreciation	(28,737)	(33,634)
	20,299	**46,476**
Leasehold improvements		
At cost	156,584	156,584
Less accumulated depreciation	(41,452)	(33,475)
	115,132	**123,109**
Total written down amount	**135,431**	**169,585**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	46,476	52,758
Disposals	(23,935)	-
Less: depreciation expense	(2,242)	(6,282)
Carrying amount at end	**20,299**	**46,476**
Leasehold improvements		
Carrying amount at beginning	123,109	132,319
Less: depreciation expense	(7,977)	(9,210)
Carrying amount at end	**115,132**	**123,109**
Total written down amount	**135,431**	**169,585**

Notes to the financial statements continued

	Note	2011 $	2010 $
Note 9. Intagible Assets			
Franchise fee			
At cost		10,000	10,000
Less: accumulated amortisation		(9,333)	(7,333)
Total written down amount		**667**	**2,667**
Note 10. Trade and Other Payables			
Trade creditors		**6,816**	**6,352**
Other creditors and accruals		8,876	5,537
		15,692	**11,889**
Note 11. Borrowings			
Current:			
Bank overdrafts		523,021	441,661
Lease liability	16	-	8,183
Bank loans		10,839	10,839
		533,860	**460,683**
Non-Current:			
Lease liability	16	-	15,636
		-	**15,636**
Note 11.(a) Bank overdraft			
Bank overdraft		**(523,021)**	**(441,661)**

The company has an approved overdraft facility of $600,000. The overdraft was interest free for the first 6 months and did not incur interest until 21 August 2008 at which time interest was charged at the commercial interest rates as per agreement with franchisor (currently 6.49%). The overdraft is secured by a fixed and floating charge over the company's assets.

Note 11.(b) Loan from Mundubbera Shire Council

The company received a loan for $10,839 to cover the costs of the feasibility study carried out relating to the establishment of the Mundubbera Community Bank. This is unsecured and does not incur interest.

	2011 $	2010 $

Note 12. Provisions

	2011 $	2010 $
Current:		
Provision for annual leave	**671**	**9,150**
Non-Current:		
Provision for long service leave	**4,525**	**4,933**
Number of employees at year end	2	3

Note 13. Contributed Equity

	2011 $	2010 $
603,409 Ordinary shares fully paid (2010: 603,409)	603,409	603,409
Less: equity raising expenses	(30,846)	(30,846)
	572,563	**572,563**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank® have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Note 13. Contributed Equity (continued)

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").

- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 217. As at the date of this report, the company had 217 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2011 $	2010 $

Note 14. Accumulated Losses

Balance at the beginning of the financial year	(888,707)	(706,382)
Net loss from ordinary activities after income tax	(80,557)	(182,325)
Balance at the end of the financial year	**(969,264)**	**(888,707)**

Note 15. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(80,557)	(182,325)
Non cash items:		
- depreciation	10,518	15,492
- amortisation	2,000	2,000
- loss on disposal of asset	5,136	-
Changes in assets and liabilities:		
- increase in receivables	(8,054)	(5,132)
- increase in payables	3,803	6,562
- increase/(decrease) in provisions	(8,887)	3,746
Net cashflows used in operating activities	**(76,041)**	**(159,657)**

	2011 $	2010 $

Note 16. Leases

Finance lease commitments

Payable - minimum lease payments		
- not later than 12 months	-	8,183
- between 12 months and 5 years	-	18,725
Minimum lease payments	-	26,908
Less future finance charges	-	(3,089)
Present value of minimum lease payments	-	23,819

The finance lease of a motor vehicle, which commenced in October 2008, the remaining amount of the loan was paid out in July 2010.

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	3,189	19,041
- between 12 months and 5 years	-	3,189
	3,189	**22,230**

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Rent is increased annually in September by 3% for the first term of the lease. The lease is due for renewal in September 2011 with a further two 5 year terms avaliable.

Note 17. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	3,400	3,400
- share registry services	1,450	1,450
- non audit services	1,710	1,822
	6,560	**6,672**

Note 18. Director and Related Party Disclosures

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

Timothy Gerard Duggan

Loris Jean Doessel

Douglas John Balshaw

Letetia Maree Berthelsen

David James Jenkinson - (Resigned 15 November 2010)

Gary Raymond Harris

Deann Maree Robinson

Alexandra Winter O'Neill - (Appointed 28 March 2011)

With the exception of Deann Robinson and Douglas John Balshaw, 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.

Deann Robinson is the Store Manager of the local IGA supermarket. Mundubbera IGA supermarket supplied the company with goods for promotional purposes and staff amenities during the financial year. During the financial year the total benefit Mundubbera IGA received was $191 (2009: $263.28).

Douglas Balshaw's business True Value Hardware supplied aluminium seats to the local football club on behalf of the company during the financial year. During the financial year the total benefit True Value Hardware received was $1,643.22 (2009: $nil).

Directors Shareholdings	**2011**	**2010**
Timothy Gerard Duggan	2,001	3,501
Loris Jean Doessel	34,001	34,001
Douglas John Balshaw	2,501	2,501
Letetia Maree Berthelsen	1,000	1,000
David James Jenkinson - (Resigned 15 November 2010)	5,001	5,001
Gary Raymond Harris	3,000	3,000
Deann Maree Robinson	1,001	1,001
Alexandra Winter O'Neill - (Appointed 28 March 2011)	50,000	-

There was movement in Timothy Gerard Duggans shareholdings during the year which was a 1,500 decrease.

There was no other movement in directors shareholdings.

Note 19. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

Letetia Berthelsen, who was appointed as a director on 28 September 2009 is employed by Mundubbera Financial Services Limited as Customer Service Officer. Letetia received nil remuneration or benefits as a director however is remunerated in her capacity of Customer Service Officer. Her remuneration is consistent with the level of remuneration typical for this type of position.She received $43,351 in gross wages, $260 between 1 July 2010 and 31 January 2011. Letetia resigned from the board on the 31st January 2011.

Note 20. Earnings Per Share

	2011	**2010**
	$	**$**
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(80,557)	(182,325)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	603,409	603,409

Note 21. Events Occurring After the Balance Sheet Date

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

Note 22. Contingent Liabilities

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

Note 23. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Mundubbera, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 24. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
54 Lyons Street	54 Lyons Street
Mundubbera QLD 4626	Mundubbera QLD 4626

Note 25. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Receivables	-	-	-	-	-	-	-	-	21,949	13,895	N/A	N/A
Financial Liabilities												
Interest rate liabilities	523,021	441,661	-	-	-	-	-	-	10,839	10,839	6.93	10.02
Finance Lease	-	-	-	8,182	-	15,636	-	-	-	-	N/A	8.10
Payables	-	-	-	-	-	-	-	-	6,816	6,353	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Mundubbera 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 its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Timothy Gerard Duggan

Chairman

Signed on 27 September 2011.

Independent audit report

Partners in success

Chartered Accountants

Independent Auditor's Report To The Members Of Mundubbera Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Mundubbera Financial Services Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Mundubbera Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

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

DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street Bendigo 3550

27 September 2011

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