

Mandurah
Community Financial Services Limited

ABN 56 098 081 308

annual report 2011

Halls Head **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2011

Your **Community Bank**[®] Branch continues to grow and progress. Again, a fully franked dividend will be forwarded to all shareholders.

COMMUNITY SUPPORT

The **Community Bank**[®] Branch continues to endorse and practice purchasing locally and employing locally to ensure our success and activity enriches our community. We are now in our ninth year of operation. At the time of writing, your **Community Bank**[®] branch has contributed over \$700,000 to our community. These funds have enabled a large number of local projects and groups to continue their activities for the benefit of the community.

LAKE CLIFTON & WAROONA FIRES

This was a significant community tragedy. The Halls Head and Pinjarra **Community Bank**[®] branches launched a joint appeal to raise funds to support those people who lost their homes or other items. The appeal raised in excess of \$80,000 and the Salvation Army was appointed to arrange the distribution of the funds to the affected families. This event again demonstrated our focus on our community.

MARKETING

Your **Community Bank**[®] branch does not spend a large amount on media advertising. We have preferred to rely mainly on our deeds to promote our activity. For example, our support of Peel Thunder Football Club has delivered to us a very large profile. This has added to our promotion through all the groups we support. Peel Thunder Football Club itself has good community programs focusing on youth.

Given that this strategy has been successful, we would also encourage our shareholders and clients to add to this by recommending our services when appropriate. It is your **Community Bank**[®] branch. Let's continue to jointly grow our presence.

NEW SITE

The Board had been proceeding with the establishment of a second site at the Meadow Springs Shopping Centre. However, the potential expansion of a major retailer adjoining the proposed site of the second branch led the Board to suspend work on that site. The Board felt that the proposed expansion by the adjoining retailer could have a negative effect of the branch site and until it is established whether the expansion will occur that it was in the best interest of shareholders, customers and staff to delay.

The establishment of a new site is a major event and it is essential that the physical location continues to be appropriate. We are currently looking at other possible sites in Mandurah, and we will keep shareholders informed via our Newsletters.

STAFF

Our sincere thanks to our Branch Manager, David Williams, and all his staff for their strong support. It is pleasing to receive unsolicited positive comments about the efficiency and friendliness of the staff. It is also pleasing to see how the new layout of the branch has enhanced the opportunity for client and staff interaction.

Chairman's report continued

BOARD

It is a pleasure to serve as Chair of the Board when supported by our Directors who, despite very busy schedules, ensure the smooth running and success of our **Community Bank**[®] branch. All Directors are volunteers and have a strong community focus seeing their task as ensuring your local Halls Head **Community Bank**[®] Branch is successful, both economically and socially.

CONCLUSION

Your Board remains confident in the long term growth prospects of the Company subject to the resolution of the current issues in Europe and the USA. We look forward to the continued support of our shareholders and the community at large.



David Waddell

Chairman

October 2011

Manager's report

For year ending 30 June 2011

As we complete our ninth full year of operation we now have a total business portfolio of \$142 million and over 5700 customers who all contribute to the success of our **Community Bank**[®] Branch.

Following a strong performance in the two post Global Financial Crisis years, the 2010/11 year was definitely a difficult one for our business with growth of \$5 million being well below our "average" growth over the last four or five financial years.

It is certainly an interesting and competitive time in the financial industry however we remain well placed with a loyal customer base and strong business model and importantly we continue to make good profits which enables us to support our local community in many ways.

To date we have contributed over \$700,000 back into our local community as well as partnering and being involved with many community and sporting groups over this nine year period. We remain committed to continuing this support and having a positive effect on our community.

Thank you once again to our many stakeholders who support the Halls Head **Community Bank**[®] Branch and who share our passion for this community.

Over recent months we have had significant staff changeover in our branch with two fulltime staff leaving and a restructure of our staffing, including the creation of another position, seeing four new staff commence.

Our current branch staff are ;

David Williams	Branch Manager
Susan Samuels	Customer Relationship Manager (Branch)
Donna Olney	Customer Relationship Manager (Lending)
Mellissa Sims	
Jessica Wood	
Jade Kelly	
Kelly Litton	
Kelly Stone	
Ebony Cook	

Our staff work very hard to support our customers, meet their banking and financial goals and I would like to thank them for their continuing efforts.

As we move towards our 10 year anniversary in April 2012, I am confident that the continued support and commitment from all involved in our **Community Bank**[®] Branch will ensure our business continues to grow for the benefit of the Mandurah Community.



David Williams
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation[™], Community Sector Banking, Community Telco, Generation Green[™] and Community Enterprises) that will provide Boards with further development options.

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

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

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

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

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

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 present their report, together with the financial statements of the Company for the financial year ended 30 June 2011.

Directors

The names of Directors in office at any time during or since the end of the year are:

David Waddell

Chairperson

Occupation: Business Development Consultant

Background Information: 16 years in top level administration at Curtin University. Awarded a Curtin Fellowship Award in 2002. Former Chairperson and board member for many organisations. Mentor to five **Community Bank**[®] branches. WA representative on **Community Bank**[®] branches. Strategic Advisory Board. Board member of the Peel Development Commission. Consultant in business development. Continues to contribute in a leadership role on committees for community development in the Peel region where he resides.

Directorships held in other entities: None

Interest in shares and options: 2,500 shares

Colin Frizzell

Non-Executive Director

Occupation: Formerly State General Manager – Tascot – Templeton Carpets

Background Information: Colin has been employed in the carpet and flooring industry for over 35 years in National roles responsible for Sales, Marketing and Research & Development for carpet manufactures – Godfrey Hirst, Kensington Carpets NZ Limited, Homfray Carpets and Hycraft Carpets, specialising in hospitality, gaming and casino applications.

He conducted his own independent Carpet & Textile Consulting business for 8½ years in Melbourne before he joined Bridgestone Australia Limited as the National Sales Marketing and R & D Manager, to develop their commercial range of flooring underlay and acoustic pads. Prior to retirement on his return to Western Australia, he held the position of State Manager Western Australia for Tascot Templeton Carpets.

Directorships held in other entities: Nil

Interest in shares and options: 6,000 Shares

Ian Ilsley

Non-Executive Director

Occupation: Certified Practising Accountant

Background Information: Director of Ward and Ilsley Partners Pty Limited, Certified Practising Accountants, formerly the Treasurer of Frederick Irwin Anglican School Parents & Friends Association for 13 years, Treasurer of Mandurah Country Club since 2001, Board member of the Mandurah Performing Arts Centre and the Mandurah Performing Arts Trust and a community representative on the City of Mandurah's Audit & Risk Committee.

Directorships held in other entities: None

Interest in shares and options: 2,500 shares

Andrew Brown

Non-Executive Director

Occupation: Baker

Background Information: Retail – Bakers Delight and marketing experience

Directorships held in other entities: None

Interest in shares and options: -

Leonie Hansen

Non-Executive Director

Occupation: Business Owner – Events Management and Planning

Background Information: Owner of Meeting Expectations a Mandurah based business providing planning and management services focusing on corporate meetings, functions and events. Previously the CEO of the Peel Chamber of Commerce and Industry for 10 years.

Directorships held in other entities: None

Interest in shares and options: -

Directors' report continued

Tracey Brown

Non-Executive Director

Occupation: Business Owner – Café Pronto

Background Information: Tracey is in partnership with her husband together they own and operate the award winning restaurant - Café Pronto in Mandurah. Previously operated various hospitality and tourism businesses in the Mandurah including- Mandurah Holiday Village and Blue Bay Fish and Chips. Previously Tracey worked in administration for Quality Pacific Hotels (now Novotel) in Queensland, and prior to that as travel consultant.

Directorships held in other entities: None

Interest in shares and options: -

Noel Herbert

Non-Executive Director

Occupation: Business Owner

Background Information: Spent 10 years in Royal Australian Airforce, then worked in Sales & marketing for three years for a large multinational Company before, establishing a small business with his wife manufacturing and wholesaling baby clothing nationally and internationally. Manager of the Peel Small Business Centre for two years and lecturer in small business management at TAFE. Returned to small business commencing a commercial building maintenance business.

Directorships held in other entities: None

Interest in shares and options: -

Dawn Simmonds (Resigned 3rd March 2011)

Non-Executive Director

Occupation: Retired Senior Manager Australia Post

Background Information: For 27 years employed by Australia Post in administration and management roles, including 4 years as WA State Marketing Manager, 4 years as Southern Retailer Manager, 8 ½ years as State Manager Retailer Victoria/Tasmania and then 18 months as National Manager Retail Profitability and Merchandising.

Directorships held in other entities: None

Interest in shares and options: -

Graeme Wheildon (appointed 5th July 2011)

Non-Executive Director

Occupation: Business Owner - Butcher

Background Information: Graeme has been a resident in Mandurah for the past 20 years and is the owner/operator for Gourmet Butchery and Other Fine Foods business.

Directorships held in other entities: None

Interest in shares and options: -

Richard Percy (appointed 5th July 2011)

Non-Executive Director

Occupation: Regional Development Coordinator-Peel Development Commission

Background Information: For the last 20 years Richard has worked in the field of economic development, both in Australia and the UK. Prior to that Richard managed water boards and was a senior executive with Melbourne Water. Richard's original career path was in field administration, firstly with the Australian Government and then the Government of Papua New Guinea. Richard holds Masters in Planning and Environment, and Rural and Regional Sustainability.

Directorships held in other entities: None

Interest in shares and options: -

Directors' report continued

Company Secretary

Ian Ilsley CPA

Directors' meetings attended

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

Director	Directors' meetings	
	Number eligible to attend	Number attended
David Waddell	11	10
Ian Ilsley	11	11
Colin Frizzell	11	11
Andrew Brown	11	10
Leonie Hansen	11	10
Tracey Brown	11	10
Dawn Simmonds	8	4
Noel Herbert	11	6
Graeme Wheildon	0	0
Richard Percy	0	0

Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Limited, pursuant to a franchise agreement.

Operating results

The profit of the Company after providing for income tax amounted to \$237,962.

Dividends paid or recommended

The Company paid or declared for payment dividends of \$47,559 during the year.

Financial position

The net assets of the Company have increased from \$1,020,954 as at 30 June 2010 to \$1,211,357 as at 30 June 2011, which is an improvement on prior year due to the improved operating performance of the Company.

The Directors believe the Company is in a stable financial position.

Significant changes in state of affairs

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

Directors' report continued

After balance date events

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

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Options

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

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying officers or Auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an Officer, but not an Auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate governance

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

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

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Directors' report continued

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2011:

Taxation services:	\$5,950
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Remuneration report

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2011 and 30 June 2010.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

Directors' report continued

Remuneration policy (continued)

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on KPIs. The Company believes this policy to have been effective in increasing shareholder wealth over the years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

Directors' report continued

Key management personnel remuneration policy (continued)

The employment contracts stipulate a resignation period. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Auditor's Independence Declaration

The lead auditor's independence declaration under s307C of the Corporations Act 2001 for the year ended 30 June 2011 is included within the financial statements.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director



Dated 8 September 2011

Directors' report continued

RSM Bird Cameron Partners

Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mandurah Community Financial Services Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 8 September 2011

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	2	1,400,303	1,290,713
Employee benefits expense		(517,466)	(498,698)
Depreciation and amortisation expense		(34,721)	(23,943)
Other expenses	3	(505,204)	(524,586)
Profit before income tax		342,912	243,486
Income tax expense	4	(104,950)	(70,169)
Profit for the year		237,962	173,317
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members		237,962	173,317
Earnings per share			
Basic earnings per share (cents per share)		40.02	29.15
Diluted earnings per share (cents per share)		40.02	29.15

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	1,148,817	874,815
Trade and other receivables	7	116,354	140,761
Other current assets	8	12,872	15,692
Total current assets		1,278,043	1,031,268
Non-current assets			
Plant and equipment		968,083	83,203
Intangible assets	10	7,517	17,513
Other non current assets	22	12,159	14,899
Total non-current assets		87,759	115,615
Total assets		1,365,802	1,146,883
Current liabilities			
Trade and other payables	11	49,292	63,803
Short-term provisions	12	30,285	34,842
Current tax liability	22	46,500	-
Total current liabilities		126,077	98,645
Non-current liabilities			
Long-term provisions	12	28,368	27,284
Total non-current liabilities		28,368	27,284
Total liabilities		154,445	125,929
Net assets		1,211,357	1,020,954
Equity			
Issued capital	13	594,490	594,490
Retained earnings/(Accumulated losses)		616,867	426,464
Total equity		1,211,357	1,020,954

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Share Capital (Ordinary shares)	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 July 2009	594,490	288,816	883,306
Total comprehensive income for the year	-	173,317	173,317
Subtotal	594,490	462,133	1,056,623
Dividends paid or provided for	-	(35,669)	(35,669)
Balance at 30 June 2010	594,490	426,464	1,020,954
Balance at 1 July 2010	594,490	426,464	1,020,954
Total comprehensive income for the year	-	237,962	237,962
Subtotal	594,490	664,426	1,258,916
Dividends paid or provided for	-	(47,559)	(47,559)
Balance at 30 June 2011	594,490	616,867	1,211,357

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Receipts from customers		1,376,862	1,226,713
Payments to suppliers and employees		(1,023,319)	(1,021,648)
Interest received		33,333	35,879
Income tax paid		(55,710)	(78,850)
Net cash provided by operating activities	14	331,166	162,094
Cash flows from investing activities			
Purchase of plant and equipment		(9,605)	(64,950)
Net cash used in investing activities		(9,605)	(64,950)
Cash flows from financing activities			
Dividends paid		(47,559)	(35,669)
Net cash used in financing activities		(47,559)	(35,669)
Net increase/(decrease) in cash held		274,002	61,745
Cash and cash equivalents at beginning of financial year		874,815	813,340
Cash and cash equivalents at end of financial year	6	1,148,817	874,815

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the Company as an individual entity. The Company is a public Company, incorporated and domiciled in Australia.

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

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on 8 September 2011 by the Directors of the Company.

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(a) Income tax (continued)

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income during the financial year in which they are incurred. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income unless they are designated as hedges.

The Company does not hold any derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits 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.

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates - Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2011. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2011 amounting to \$7,517.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(o) New Accounting Standards for Application in Future Periods

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been inserted but are not yet effective.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013	No expected impact on the entity.
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011	Disclosure Only.

2011
\$

2010
\$

Note 2. Revenue

Franchise margin income	1,324,532	1,216,556
Interest Revenue	47,849	35,879
Other Income	27,922	38,278
	1,400,303	1,290,713

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses		
Advertising and marketing	35,354	22,812
ASIC and BSX costs	6,529	5,000
ATM leasing and running costs	83,337	50,792
Bad debts	1,769	325
Community sponsorship and donations	86,249	89,315
Consultancy	10,838	25,190
Freight and postage	12,645	16,378
Insurance	20,044	16,367
IT leasing and running costs	41,032	39,843
Occupancy running costs	14,480	15,040
Printing and stationery	25,507	30,487
Rental on operating lease	72,967	70,215
Telephone	7,474	6,390
Other operating expenses	86,979	136,432
	505,204	524,586
Remuneration of the auditors of the Company		
Audit services	9,580	8,898
Other services	5,950	5,865
	15,530	14,763

Notes to the financial statements continued

	2011 \$	2010 \$
Note 4. Income tax expense		
a. The components of tax expense comprise:		
Current tax	102,210	67,286
Deferred tax (Note 22)	2,740	2,883
	104,950	70,169
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2010: 30%)	102,874	73,046
Add:		
Tax effect of:		
- non-deductible depreciation and amortisation	2,999	2,999
- other non-allowable items	-	-
	105,873	76,045
Less:		
Tax effect of:		
- recoupment of prior year tax losses not previously brought to account	(923)	(337)
- other allowable items	-	(5,539)
Income tax attributable to the Company	104,950	70,169

Note 5. Key management personnel compensation

a. Names and positions

Name	Position
David Waddell	Non-Executive Director / Chairman
Ian Ilsley	Non-Executive Director / Company Secretary / Treasurer
Colin Frizzell	Non-Executive Director
Andrew Brown	Non-Executive Director
Leonie Hansen	Non-Executive Director
Tracey Brown	Non-Executive Director
Dawn Simmonds	Non-Executive Director
Noel Herbert	Non-Executive Director

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

Notes to the financial statements continued

Note 5. Key management personnel compensation (continued)

b. Remuneration of Key Management Positions

No Director of the Company receives remuneration for services as a Company Director.

c. Shareholdings

Number of ordinary shares held by key management personnel.

Directors	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
David Waddell	2,500	-	-	2,500
Ian Ilsley	2,500	-	-	2,500
Colin Frizzell	6,000	-	-	6,000
Andrew Brown	-	-	-	-
Leonie Hansen	-	-	-	-
Tracey Brown	-	-	-	-
Dawn Simmonds	-	-	-	-
Noel Herbert	-	-	-	-
Graeme Wheildon	-	-	-	-
Richard Percy	-	-	-	-
	11,000	-	-	11,000

	2011 \$	2010 \$
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Note 6. Cash and cash equivalents

Cash at bank and on hand	1,148,817	874,815
Reconciliation of cash		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	1,148,817	874,815

Notes to the financial statements continued

	2011 \$	2010 \$
Note 7. Trade and other receivables		
Accrued income	14,515	12,863
Income tax refundable	-	6,964
Trade debtors	101,839	120,934
	116,354	140,761

a. Provision For Impairment of Receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts will be included in the other expenses item of the Statement of Comprehensive Income.

There is no provision for impairment of receivables.

Note 8. Other assets

Current

Prepayments	18,394	15,878
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Note 9. Property, plant and equipment

Plant and equipment	267,504	267,504
Plant and equipment		
Cost	254,709	245,104
Accumulated depreciation	(186,626)	(161,901)
	68,083	83,203
Movement in carrying amount		
Balance at the beginning of the year	83,203	32,200
Additions	9,605	64,950
Disposals	-	-
Depreciation expense	(24,725)	(13,947)
Carrying amount at the end of the year	68,083	83,203

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 10. Intangible assets		
Franchise fee		
Cost	50,000	50,000
Accumulated amortisation	(42,483)	(32,487)
	7,517	17,513

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Limited, the Company operates a branch of Bendigo and Adelaide Bank Limited, providing a core range of banking products and services.

Note 11. Trade and other payables

Trade creditors and accruals	26,742	43,375
GST payable	22,550	20,428
	49,292	63,803

Note 12. Financial liabilities

Current

Provision for employee entitlements	30,285	34,842
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Non current

Provision for employee entitlements	28,368	27,284
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Number of employees at year end	8	9
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Note 13. Equity

594,490 (2010: 594,490) fully paid ordinary shares	594,490	594,490
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Notes to the financial statements continued

	2011 \$	2010 \$
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Note 14. Cash flow information

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

Reconciliation of cash flow from operations with profit after tax

Profit after tax	237,962	173,317
Depreciation and amortisation	34,721	23,943
Movement in assets and liabilities		
Receivables	24,407	(28,121)
Other assets	2,820	(822)
Payables	(14,511)	(397)
Deferred tax asset	2,740	2,883
Provisions	(3,473)	2,853
Current tax liability	46,500	(11,562)
Net cash provided by/(used in) operating activities	331,166	162,094

b. Credit Standby Arrangement and Loan Facilities

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

Note 15. Related party transactions

Ward & Ilsley Partners Pty Limited received \$18,348 (\$16,689 in 2010) for treasury and consultancy fees. No other related parties have entered in to a transaction with the Company during the financial years ended 30 June 2011 and 30 June 2010.

	2011 \$	2010 \$
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Note 16. Leasing commitments

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

Payable		
Not longer than 1 year	56,914	68,298
Longer than 1 year but not longer than 5 years	-	56,914
	56,914	125,212

Notes to the financial statements continued

	2011 \$	2010 \$
Note 17. Dividends		
Distributions paid		
Interim fully franked ordinary dividend of 8 (2010: 6) cents per share franked at the tax rate of 30% (2010: 30%)		
	47,559	35,669
Balance of franking account at beginning of year		
adjusted for franking credits arising from:	262,358	191,833
- Payment of provision for income tax	55,710	85,812
- Dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years	(20,382)	(15,287)
Balance of franking account at year end	297,686	262,358

Note 18. Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2011.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Foreign currency risk

The Company is not exposed to fluctuations in foreign currencies.

iii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Notes to the financial statements continued

Note 18. Financial risk management (continued)

b. Financial risk exposures and management (continued)

iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

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

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

Credit risk is managed/ reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2011 and 30 June 2010 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The Company is not exposed to any material commodity price risk.

c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

Notes to the financial statements continued

Note 18. Financial risk management (continued)

c. Financial Instrument Composition and Maturity analysis (continued)

2011	Weighted average effective interest rate	Variable	Fixed		Non interest bearing	Total
		Floating interest rate	Within 1 year	Within 1 to 5 years		
Financial Assets						
Cash and cash equivalents	0.05%	138,954	-	-	344	139,298
Short term deposits	5.93%	-	1,009,519	-	-	1,009,519
Total Financial Assets		138,954	1,009,519	-	102,183	1,250,656
Financial Liability						
Trade and other payables		-	-	-	49,292	49,292
Total Financial Liabilities					49,292	49,292

2010	Weighted average effective interest rate	Variable	Fixed		Non interest bearing	Total
		Floating interest rate	Within 1 year	Within 1 to 5 years		
Financial Assets						
Cash and cash equivalents	0.05%	201,831	-	-	689	202,520
Short term deposits	5.85%	-	672,295	-	-	672,295
Investments		-	-	-	-	-
Loans and receivables		-	-	-	120,934	120,934
Total Financial Assets		201,831	672,295	-	121,623	995,746
Financial Liability						
Trade and other payables		-	-	-	63,803	63,803
Total Financial Liabilities		-	-	-	63,803	63,803

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 18. Financial risk management (continued)

c. Financial Instrument Composition and Maturity analysis (continued)

Trade and other payables	-	-	-	101,332	101,332
Trade and sundry payables are expected to be paid as followed:					
Less than 6 months				49,292	63,803

d. Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at reporting date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

Fair values are materially in line with carrying values.

e. Sensitivity Analysis

i. Interest Rate Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

ii. Interest Rate Sensitivity Analysis

At the reporting date, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2011	Carrying amount \$	-2 %		+ 2 %	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash equivalents	1,148,817	(22,976)	(22,976)	22,976	22,976

2010	Carrying amount \$	-2 %		+ 2 %	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash equivalents	874,875	(17,498)	(17,498)	17,498	17,498

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

Notes to the financial statements continued

Note 19. Operating Segments

Types of products and services by segment

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Limited in Western Australia.

Major customers

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Limited, which accounts for all of the franchise margin income.

Note 20. Events after the reporting date

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

Note 21. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

	2011	2010
	\$	\$

Note 22. Tax

a. Liability

Current

Income Tax	46,500	-
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b. Assets

Deferred tax assets provisions

Provisions	12,159	14,899
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a. Reconciliations

i. Gross Movements

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

Opening balance	14,899	17,782
(Charge)/credit to Statement of Comprehensive Income	(2,740)	(2,883)
Closing balance	12,159	14,899

ii. Deferred Tax Assets

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

Opening balance	14,899	17,782
(Charge)/credit to Statement of Comprehensive Income	(2,740)	(2,883)
Closing balance	12,159	14,899

Notes to the financial statements continued

Note 23. Economic dependency – Bendigo and Adelaide Bank Limited

The Company has entered into franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Mandurah and Halls Head, Western Australia.

The branches operate as a franchise of Bendigo Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo Bank. The Company manages the **Community Bank**[®] branches on behalf of the Bendigo Bank, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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, increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank 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**[®] branches;
- 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.

Note 24. Company details

The registered office of the Company is:

C/- Ward & Ilsley Partners Pty Limited

55C Mandurah Terrace

Mandurah WA 6210

The principal place of business of the Company is:

Halls Head Shopping Centre

Shop 7 Peelwood Parade

Halls Head WA 6210

Directors' declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Australian Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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; and
4. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1.

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

Director



Dated this

8th

day of

September

2011

Independent audit report

RSM Bird Cameron Partners

Chartered Accountants

RSM Bird Cameron Partners
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mandurah Community Financial Services Limited ("the company"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair 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.

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

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Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Independent audit report continued

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Independence

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

Opinion

In our opinion:

- (a) the financial report of Mandurah Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

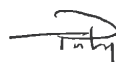
Report on the Remuneration Report

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

Opinion

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

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



TUTU PHONG
Partner

Perth, WA
Dated: 8 September 2011

BSX report

Additional Information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 1st August 2011

(a) Distribution of equity securities

The numbers of shareholders, by size of holding, are:

Number of shares held	Number of shareholders	Number of shares
1 to 1,000	336	162,158
1,001 to 5,000	67	230,632
5,001 to 10,000	22	65,000
10,001 to 100,000	8	136,700
100,001 and over	0	0
Total	433	594,490

There are currently 160 holders of parcels less than the minimum 500. Their holdings total 24,757 shares.

(b) Ten largest shareholders

The names of the ten largest shareholders of quoted shares are:

Shareholder	Number of shares	Percentage of capital
Mr Richard Everitt Thorne	27,000	27,000
Mr Gerald Francis Pauley & Mr Michael James Pauley (Pauley Superannuation Fund A/C)	20,000	20,000
SIAN ELIZABETH O'DWYER AS TRUSTEE FOR <ESTATE OF MARK ALAN MATHER A/C>	20,000	20,000
Mrs Joan Mary Woodard	18,000	18,000
Mrs Kaye Lynnette Mc Villy	15,000	15,000
Winpar Holdings Limited	14,900	14,900
SCIPIO NOMINEES PTY LTD	11,500	11,500
Mr Geoffrey Bruce Thomas & Mrs Joan Erica Thomas (The Siglos Superannuation Fund A/C)	10,300	10,300
Mrs Joan Annie Cooper	10,000	10,000
Mr Samuel Stephen Keith Cooper	10,000	10,000
Mr Patrick John Croker	10,000	10,000
Mr Douglas Hendy Milner	10,000	10,000
Mr Fonny Rumkorf & Mrs Hendricus Yohannes Rumkorf	10,000	10,000

BSX report continued

(c) Voting rights

Each shareholder has one vote.

(d) Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable. The Board recognizes the importance of a strong corporate governance focus and methodology. The Board has completed a comprehensive set of policies and procedures that will govern our Company into the future. We believe that building a policy framework will assist to clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors and a maximum of 10;
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position
David Waddell	Chairman
Colin Frizzell	Deputy Chairman
Ian Ilsley	Secretary / Treasurer
Tracey Brown	Director
Andrew Brown	Director
Noel Herbert	Director
Graeme Wheildon	Director
Leonie Hansen	Director
Richard Percy	Director

BSX report continued

Board responsibilities

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Monitoring of the Board's performance and communication to shareholders In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Board. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.
- Regular Shareholder newsletters.

The Board does have an Audit Committee

(e) Name of Company Secretary:

Ian Ilesley

(f) Address and telephone number of registered office:

Unit 55C
Mandurah Terrace,
Mandurah, WA 6210
Phone: (08) 9535 5900
Fax: (08) 9581 1096

(g) Address and telephone number of office at which securities register is kept.

Richmond Sinnott Delahunty Pty Ltd
PO Box 30
Bendigo
Victoria, 3552
Phone: (03) 5443 1177
Fax: (03) 5444 4344
Email: shareregistry@rsdadvisors.com.au
Website: www.rsdadvisors.com.au

(h) Trading history

The trading history for Mandurah Community Financial Services Limited is available on the BSX website at www.bsx.com.au

Halls Head **Community Bank**[®] Branch
Shop 7, Halls Head Shopping Centre,
Corner Peelwood & Glencoe Parades, Halls Head WA 6210
Phone: (08) 9586 1399 Fax: (08) 9586 1522

Franchisee: Mandurah Community Financial Services Limited
c/- Ward & Ilsley Partners Pty Ltd
55c Mandurah Terrace, Mandurah WA 6210
ABN: 56 098 081 308

www.bendigobank.com.au/hallshead
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(KKWAR110003) (09/11)

