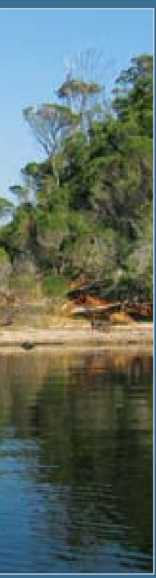
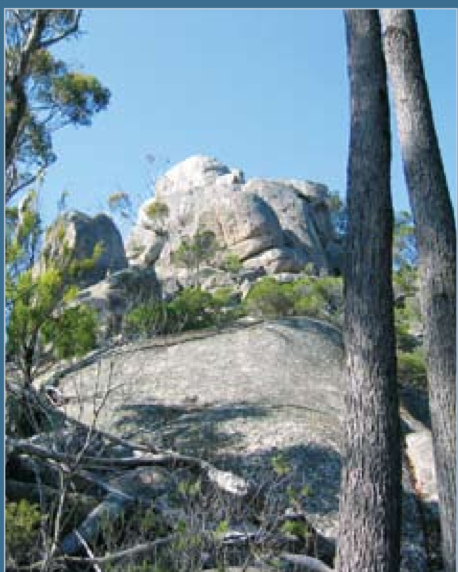
annual report 2009

Mallacoota Community
Enterprises Limited
ACN 132 586 988

Mallacoota **Community Bank®** Branch

Contents

Chairman’s report

For year ending 30 June 2009

It gives me great pleasure to present to you our first Annual Report. The achievements of your Company since incorporation in August last year have been outstanding. During the 2008/09 year in excess of 800,000 shares were sold bringing the Companies shareholder number to 320, which is a fantastic effort.

Once the minimum capital requirement was reached the Board was able to proceed with the task of selecting a site for our bank and organizing the building works required. The Bendigo Bank “Branch of the Future” concept design was selected bringing to Mallacoota the latest in banking technology. As a consequence our **Community Bank®** branch has customer features whereby services are provided in a friendly, efficient manner without the previous teller-behind-the-window layout. Staff were selected and trained with the assistance of our partners Bendigo and Adelaide Bank Ltd. Training has been rigorous and thorough in accordance with the **Community Bank®** policy.

Our bank was opened with appropriate fanfare just after Easter on 15 April of this year. I am happy to report that due to excellent planning no major teething problems have been experienced. In the 10 weeks trading period to 30 June 2009, our footings reached the $10 million level in line with our budget. Growth has been constant since then and must continue if we are to achieve our aim of reaching profitability within three years. The Board are fully aware that the future of our **Community Bank®** branch is reliant upon the volume of incoming business. The support of our shareholders and the community is essential and we seek your assistance in this regard. Our **Community Bank®** branch prides itself on being able to offer competitive rates and a range of financial products including access to a financial planner, business assistance and insurance.

Consistent with the policy of community support, your **Community Bank®** branch has already commenced an assistance and sponsorship program. Over $6,000 has been committed to a number of worthy local organisations and clubs promoting our brand and benefiting the community. Sponsorship and project support will continue to grow as we grow. Profitability however is the key to our success in this area.

Our relationship with our partners at the Bendigo and Adelaide Bank Ltd remains strong and vibrant. The Board has appreciated the continued advice and guidance over the two years of our involvement with key personnel being available at all times to answer our many queries. The excellent progress of our business to date is in no small way due to the assistance and dedication of our Manager Debbie Hohenhaus and her efficient, friendly staff. The establishment of our Mallacoota **Community Bank®** Branch has only been possible through the excellent support we have received from our shareholders against a background of global economic meltdown.

Finally, I would like to express my appreciation to the Board and Committees who have worked tirelessly to accomplish and develop the Mallacoota **Community Bank®** Branch. It has been a privilege and a pleasure to work with this dedicated group.

John Rudge
Chairman

Manager’s report

For year ending 30 June 2009

It is with great pride and pleasure I submit the first Manager’s report to the shareholder’s of Mallacoota Community Enterprises Ltd.

Our business showed steady growth and our customer base grew to 288 customers as of 30 June 2009 with deposit and lending balances exceeding $12 million.

This is a result we can all be truly proud of.

The growth in our customer base continues to reflect the support of our local community and the benefits of this bank are now being filtered back into our community.

Although the branch has only recently opened it is starting to return benefits back into the community through donations and sponsorship of local events and clubs in our area. This will only continue to increase as our business grows.

Our relationship with local community groups and organisations continues to develop and we look forward to building further partnerships with our community over the next year.

To our team at the branch, I would like to take this opportunity to recognise the contribution of our staff: Sue Nixon, Sheree Rostirolla, Sue Farrelly and Stacey Cockburn. The dedication of our staff in providing friendly quality customer service is commendable. This has been a key factor in building the profile of our **Community Bank®** branch and the level of new business written.

Training was a high focus for all staff and they should be proud of their level of increased knowledge given they all came to the **Community Bank®** branch with little or no banking experience.

From their commencement date in the middle of March until the end of April the compulsory training they needed to complete was intense. This required all staff to work full time during this period so they were able to successfully complete the comprehensive training required to meet the Government legislation requirements. The staff have now achieved the same standard of education as is required to work anywhere in the Australian banking industry. This was a fantastic achievement by all of the staff.

The staff spent a full week of training at head office in Bendigo for branch orientation and completed the rest of the training here at Mallacoota.

This means all our customers can be confident that their banking requirements are being completed by fully qualified and highly trained staff.

Your **Community Bank®** branch has full access to the broad range of financial services and products that Bendigo and Adelaide Bank Ltd offer which includes Home Loans, Personal Loans, Business Loans, Term deposits as well as every day banking accounts.

The service provided at the branch also includes access to a qualified Financial Planner. Customers who have utilised this service have found it to be very worthwhile. There is no obligation and the first appointment is free of charge.

Manager's report continued

I also take this opportunity to add the branch can offer insurance on a wide range of items. This includes Home and Contents, Car, Landlords residential property, Travel, Business, Boat and Caravan. Premiums can be paid by the month at no extra cost and the insurance is underwritten by CGU Insurance Ltd.

To Chairman John Rudge and the other members of the Board I would like to thank them for their ongoing support and their drive to build the business of our **Community Bank®** branch and I look forward to continuing our close working relationship. Without them the branch would not have opened and we would not be here today.

We are confident that the business will continue to grow over the next twelve months; however this is of course reliant on the ongoing support of the local community.

As an investor in your **Community Bank®** branch we seek your support as an advocate for the branch by encouraging family, friends and neighbours to support your new **Community Bank®** branch.

Debbie Hohenhaus
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank®** branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank®** branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank®** branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – $29 million paid out in community projects and nearly $11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects… the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

Community Bank® branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.

Russell Jenkins
Chief General Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the period 5 August 2008 to 30 June 2009.

Directors

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

John Peter Rudge
Chairman
Age: 68
Occupation: Retired Company Director & Councillor

Hendrik John Arendsen
Secretary
Age: 67
Occupation: Retired Managing Director

Lynn Elizabeth Casement
Director
Age: 55
Occupation: Business Owner

Peter McKenzie Craig
Director
Age: 64
Occupation: Retired Company Director

Yvonne Anne Learmonth
Director
Age: 71
Occupation: Self Employed

Etienne Alexander Van Der Merwe
Director
Age: 67
Occupation: Retired Chief Executive

Geoffrey Raymond Weeks
Director
Age: 69
Occupation: Retired Advertising Art Director

Andrew John Nixon
Director
Age: 53
Occupation: Self employed

Janice Angela Shooter
Director (Resigned 26 September 2008)

Directors were in office since the registration date of 5 August 2008 unless otherwise stated.

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

Company Secretary

The Company Secretary is Hendrik John Arendsen. Rik was appointed to the position of Secretary upon Incorporation on 5 August 2008. Prior to his retirement he had been Managing Director of his family's metal goods manufacturing business. Rik also held the position of Vice President of Yachting Victoria.

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 Ltd.

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

Directors' report continued

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 2009 $
(72,135)

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 report.

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. 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.

Remuneration report

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

There are no Executives within the Company whose remuneration is required to be disclosed.

Directors' meetings

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

	Number of Board meetings eligible to attend	Number attended
John Peter Rudge	12	12
Hendrik John Arendsen	12	12
Lynn Elizabeth Casement	12	10
Peter McKenzie Craig	12	8
Yvonne Anne Learmonth	12	10
Etienne Alexander Van Der Merwe	12	11
Geoffrey Raymond Weeks	12	11
Andrew John Nixon	12	8
Janice Angela Shooter (Resigned 26 September 2008)	2	-

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.

Non Audit services (continued)

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 Professional Statement F1, 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 10.

Signed in accordance with a resolution of the Board of Directors at Mallacoota, Victoria on 24 August 2009.

John Peter Rudge
Chairman

Hendrik John Arendsen
Secretary

Auditor's independence declaration

AFS
partners in success
Chartered Accountants & Business Advisors

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Bendigo VIC 3550
Phone (03) 5443 0344
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ABN 51 061 795 337

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Mallacoota Community Enterprises Limited

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 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
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 24 day of August 2009

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $
Revenues from ordinary activities	3	25,232
Salaries and employee benefits expense		(81,414)
Charitable donations, sponsorship, advertising & promotion		(1,806)
Occupancy and associated costs		(6,875)
Systems costs		(3,733)
Depreciation and amortisation expense	4	(16,735)
General administration expenses		(33,548)
Loss before income tax credit		**(118,879)**
Income tax credit	5	46,744
Loss for the period		**(72,135)**
Loss attributable to members of the entity		**(72,135)**
Earnings per share (cents per share)		**¢**
- basic for profit for the year	19	(8.9)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $
Assets		
Current assets		
Cash assets	6	438,973
Trade and other receivables	7	15,080
Total current assets		**454,053**
Non-current assets		
Property, plant and equipment	8	217,754
Intangible assets	9	104,500
Deferred tax assets	10	46,744
Total non-current assets		**368,998**
Total assets		**823,051**
Liabilities		
Current liabilities		
Trade and other payables	11	106,405
Provisions	12	5,672
Total current liabilities		**112,077**
Total liabilities		**112,077**
Net assets		**710,974**
Equity		
Issued capital	13	783,109
Accumulated losses	14	(72,135)
Total equity		**710,974**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $
Cash flows from operating activities		
Receipts from customers		12,520
Payments to suppliers and employees		(108,145)
Interest received		841
Interest paid		(109)
Net cash used in operating activities	**15**	**(94,893)**
Cash flows from investing activities		
Payments for property, plant and equipment		(148,741)
Payments for intangible assets		(110,000)
Net cash used in investing activities		**(258,741)**
Cash flows from financing activities		
Proceeds from issues of equity securities		806,707
Share application money not yet allocated		9,498
Payment for share issue costs		(23,598)
Net cash provided by financing activities		**792,607**
Net increase in cash held		**438,973**
Cash at the beginning of the financial year		-
Cash at the end of the half-year	**6(a)**	**438,973**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $
Total equity at the beginning of the period		-
Net loss for the period		(72,135)
Net income/expense recognised directly in equity		-
Total income and expense recognised by the entity for the year		**(72,135)**
Dividends provided for or paid		-
Shares issued during period		806,707
Costs of issuing shares		(23,598)
Total equity at the end of the period		**710,974**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions 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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). 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.

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 for 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 ATO are classified as operation cash flows.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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 tax 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).

Deferred tax

Deferred tax is accounted for using the comprehensive 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/consolidated 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 income statement, 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

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.

Comparative figures

The Company was incorporated on 5 August 2008 therefore there were no operations during the year ending 30 June 2008.

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

Note 1. Summary of significant accounting policies (continued)

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.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

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.

Borrowings

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

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 transactions costs. 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 entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

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 income statement.

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.

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.

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 Ltd.

(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 Ltd mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd 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 Ltd 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.

Note 2. Financial risk management (continued)

(vi) Capital management (continued)

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 2009 can be seen in the Income Statement.

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

Note 3. Revenue from ordinary activities

	2009 **$**
Operating activities:	
- services commissions	20,045
- other revenue	-
Total revenue from operating activities	**20,045**
Non-operating activities:	
- interest received	5,187
Total revenue from non-operating activities	**5,187**
Total revenues from ordinary activities	**25,232**

	Note	2009 $

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment		8,122
- leasehold improvements		3,113
Amortisation of non-current assets:		
- franchise agreement		500
- start up fees		5,000
		16,735
Finance costs:		
- interest paid		**109**

Note 5. Income tax expense

The components of tax expense comprise:		
- Current tax		-
- Deferred tax		887
- Recoup of prior year tax loss		-
- Future income tax benefit attributable to losses		(47,631)
		(46,744)
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit		(118,879)
Prima facie tax on profit from ordinary activities at 30%		(35,664)
Add tax effect of:		
- non-deductible expenses		1,650
- timing difference expenses		(887)
- investment deduction		(11,314)
- blackhole expenses		(1,416)
Current tax		(47,631)
Movement in deferred tax	10.	887
		(46,744)

Notes to the financial statements continued

	2009 $

Note 6. Cash assets

Cash at bank and on hand	138,973
Term deposits	300,000
	438,973

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) Reconciliation of cash	
Cash at bank and on hand	138,973
Term deposit	300,000
	438,973

Note 7. Trade and other receivables

Trade receivables	6,450
Accrued income	4,345
Prepayments	4,285
	15,080

Note 8. Property, plant and equipment

Plant and equipment	
At cost	34,705
Less accumulated depreciation	(7,393)
	27,312
Leasehold improvements	
At cost	180,767
Less accumulated depreciation	(3,113)
	177,654

	2009 $
Note 8. Property, plant and equipment (continued)	
Motor vehicle	
At cost	13,517
Less accumulated depreciation	(729)
	12,788
Total written down amount	**217,754**
Movements in carrying amounts:	
Plant and equipment	
Carrying amount at beginning	-
Additions	34,705
Disposals	-
Less: depreciation expense	(7,393)
Carrying amount at end	**27,312**
Leasehold improvements	
Carrying amount at beginning	-
Additions	180,767
Disposals	-
Less: depreciation expense	(3,113)
Carrying amount at end	**177,654**
Motor vehicle	
Carrying amount at beginning	-
Additions	13,517
Disposals	-
Less: depreciation expense	(729)
Carrying amount at end	**12,788**
Total written down amount	**217,754**

	2009 $

Note 9. Intangible assets

Franchise fee	
At cost	10,000
Less: accumulated amortisation	(500)
Franchise renewal fee	
At cost	100,000
Less: accumulated amortisation	(5,000)
	104,500

Note 10. Deferred tax

Deferred tax asset	
Opening balance	-
Future income tax benefits attributable to losses	(47,631)
Deferred tax on provisions	887
Closing balance	**(46,744)**

Note 11. Trade and other payables

Trade creditors	104,205
Other creditors & accruals	2,200
	106,405

Note 12. Provisions

Employee provisions	**5,672**
Number of employees at year end	**3.5**

Note 13. Contributed equity

806,707 Ordinary shares fully paid of $1 each	806,707
Less: equity raising expenses	(23,598)
	783,109

Note 13. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each shareholder 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 shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder 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 shareholders of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to shareholders 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 Ltd 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).

(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 Prospectus is still open but if no further shares are issued the base number is 242. As at the date of this report, the Company had 269 shareholders.

Note 13. Contributed equity (continued)

Prohibited shareholding interest (continued)

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 shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder’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, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

	2009 $

Note 14. Accumulated losses

Balance at the beginning of the financial year	-
Net loss from ordinary activities after income tax	(72,135)
Dividends Paid	-
Balance at the end of the financial year	**(72,135)**

Note 15. Statement of cash flows

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

Loss from ordinary activities after income tax	(72,135)
Non cash items:	
- depreciation	11,235
- amortisation	5,500

Notes to the financial statements continued

	2009 $
Note 15. Statement of cash flows (continued)	
Changes in assets and liabilities:	
- increase in receivables	(15,080)
- increase in other assets	(46,744)
- increase in payables	16,659
-increase in provisions	5,672
Net cash flows used in operating activities	**(94,893)**

Note 16. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

	2009 $
- audit & review services	2,200
- non audit services	9,350
	11,550

Note 17. Director and related party disclosures

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

John Peter Rudge

Hendrik John Arendsen

Lynn Elizabeth Casement

Peter McKenzie Craig

Yvonne Anne Learmonth

Etienne Alexander Van Der Merwe

Geoffrey Raymond Weeks

Andrew John Nixon

Janice Angela Shooter (Resigned 26 September 2008)

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

Note 17. Director and Related party disclosures (continued)

Directors' shareholdings	**2009**
John Peter Rudge	2,101
Hendrik John Arendsen	10,201
Lynn Elizabeth Casement	-
Peter McKenzie Craig	5,101
Yvonne Anne Learmonth	2,101
Etienne Alexander Van Der Merwe	2,101
Geoffrey Raymond Weeks	1,101
Andrew John Nixon	2,001
Janice Angela Shooter (Resigned 26 September 2008)	5,101

Note 18. Key management personnel disclosures

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

There are no Executives within the Company whose remuneration is required to be disclosed.

Note 19. Earnings per share

	2009 $
(a) Loss attributable to the ordinary equity holders of the Company used in calculating earnings per share	(72,135)

	2009 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	806,707

Note 20. 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.

Notes to the financial statements continued

Note 21. Contingent liabilities

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

Note 22. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area the Mallacoota and district of Victoria.

Note 23. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
57B Maurice Avenue,	57B Maurice Avenue,
Mallacoota VIC 3892	Mallacoota VIC 3892

Note 24. Financial instruments

Net fair values

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

Note 24. Financial instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate	Fixed interest rate maturing in			Non interest bearing	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	Over 5 years		
	2009 $	2009 $	2009 $	2009 $	2009 $	2009 %
Financial assets						
Cash assets	129,375	-	-	-	100	0.05
Trust account	-	-	-	-	9,498	Nil
Term deposit (1)	-	200,000	-	-	-	5
Term deposit (2)	-	100,000	-	-	-	4
Receivables	-	-	-	-	15,080	N/A
Financial liabilities						
Payables	-	-	-	-	106,405	N/A

Directors' declaration

In accordance with a resolution of the Directors of Mallacoota Community Enterprises 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 2009 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 AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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

John Peter Rudge
Chairman

Hendrik John Arendsen
Secretary

Signed on 24 August 2009.

Independent audit report

AFS
partners in success
Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the members of Mallacoota Community Enterprises Limited

We have audited the accompanying financial statements of Mallacoota Community Enterprises Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair 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 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 report, comprising the financial statements and notes, complies 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 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.

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

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

Independence

In conducting our audit we have met 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 Mallacoota Community Enterprises Limited is in accordance with the Corporations Act 2001 including

    (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;

    (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;

2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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 Mallacoota Community Enterprises Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.

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

Dated this 24 day of August 2009

Mallacoota **Community Bank**® Branch
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