



Merbein Community Bank<sup>®</sup> Branch

Merbein District Community Services Limited  
Annual Report 2008

ABN 68 108 297 945



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# Chairman's Report

Welcome to our Annual General Meeting of Merbein District Community Services Limited for year ended 30 June 2008.

What a time and what a financial climate we and the rest of the world are experiencing. To quote Bendigo and Adelaide Bank's Group Managing Director Rob Hunt "Australia's economy continues to perform strongly and we enjoy near full employment and all domestic banks report very low levels of non performing loans."

In times of uncertainty some customers will naturally ask questions of the institutions in which they have invested their money. In Bendigo and Adelaide Bank you have chosen a Bank which is strongly capitalised, meets every prudential requirement of the regulators, has a very sound balance sheet and continues to attract new business. You can have complete confidence that our bank will work through this tough period and will come out stronger than ever. At this stage I would like to thank our Manger and frontline staff for the very professional manner in which they have handled themselves and answered all customer enquiries.

Apart from the world financial conditions, locally the drought, high fuel prices and interest rates is having an effect on our business and the general business community. However, the Board is happy to report that we are maintaining our level of business and are confident we will improve this position as the world financial situation improves.

Our grants night in May was a big success with some \$5,000 being granted to local organisations and a similar amount will be granted tonight after our Annual General Meeting. We believe this is what the Community Bank<sup>®</sup> model is all about; the community supporting the branch and Community Bank<sup>®</sup> branch supporting the community, a perfect partnership.

During the year Directors Daryl Brown and Faye Sutton resigned from the Board. Both have contributed so much to the success of our Community Bank<sup>®</sup> branch. I would like to personally thank them for all of their work and wish them all the best; they will be missed by the Board.

The success of our Community Bank<sup>®</sup> branch takes a lot of work and I would like to thank our shareholders for making it happen, our customers for their ongoing support, our staff members for the professional service they provide, our customers, and last but not least our Board who give so much of their time to ensure the success of the branch. As I have mentioned in previous reports it is truly a team effort.

On behalf of our Board and staff I would like to wish everyone a Merry Christmas and safe and prosperous New Year.

Anthony Dal Corobbo  
Chairman

# Branch Manager's Report

For year ending 30 June 2008

It gives me great pleasure to report on the progress of Merbein & District Community Bank<sup>®</sup> Branch to our valued shareholders for the year ended 30th June, 2008.

Twelve months have past since our last Annual General Meeting and I am still impressed by the strong sense of community engagement around Merbein and district and the goodwill towards our branch since its opening just four years ago.

Some of the highlights attributed to the branch to 30 June 2008 include:

- Total business held at the branch in excess of \$35 million.
- Almost 2,200 accounts opened.
- More than \$40,000 donated or pledged back into our community through various sponsorships, grants and donations.
- Introduction of our first Bi-Annual Grants Night in May' 2008. Some of the recipients included:
  - \$ 3,000 Merbein Secondary School for their Rock Eisteddfod.
  - \$ 1,100 Saints Baseball Club for equipment and new facility.
  - \$ 1,300 Mildura City Soccer Club sponsorship of the Under 15 team.
  - \$ 3,300 Official Stage Sponsor of the Tour of the Murray Bike Race.
  - \$ 1,000 Continued sponsorship of Chances for Children.
- Development of a quarterly newsletter.
- Re-introduction of school banking to the district which encompasses our five Primary schools and Merbein Secondary College.
- Installation of an ATM which in 10 months clocked up more than 21,000 transactions (figures relevant to 30 June 2008).

The prime objective of Merbein & District Community Bank<sup>®</sup> Branch is to continue to grow our business which enables our community company to continue to make regular, and growing, financial returns to our community. Simply by doing you're banking with us you will be helping us to make that happen.

We need your maximum support to enable us to continue to expand our grants program to the Merbein community. If you haven't already considered banking with us, I urge you to call into the branch and talk to our friendly staff about how we can assist you with transferring your banking business. If you have already started banking with us, thank you – you are our greatest advocate and a valuable ambassador for Merbein & District Community Bank<sup>®</sup> Branch.

I would like to thank my staff members Lauren, Sam, Tanya and Deb for their dedication and continued great work. I regularly receive positive feedback about the personalised and friendly service we provide and would like as many people as possible to experience banking the Bendigo way.

I would like to also thank our Board for their continued great work. It can often be a thankless task however, our branch wouldn't exist without their commitment and dedication. Thanks to our Chairman Tony and his local board of directors.

Rob Libchard  
Branch Manager

# A Message from Bendigo Bank

## Celebrating 10 years of the Community Bank® Network

June 2008 marks 10 years since Bendigo Bank and the people of Rupanyup and Minyip unveiled the first Community Bank® branches in Australia, marking a turning point not only for the two small Victorian wheat belt towns, but for the Bendigo as well.

Today, these two towns have been joined by more than 210 communities to form Australia's fastest growing banking network – community banking.

It is a significant milestone for Bendigo Bank and our Community Bank® partners.

The number of Community Bank® branches has doubled in the last four years and in the same time frame, customers have tripled their commitment of banking business to the community network, increasing it to more than \$11 billion. More importantly, in excess of \$18 million in Community Bank® branch profits have been returned to community projects and \$12 million has been paid in dividends to more than 50,000 local shareholders.

Behind those numbers are hundreds of stories of Community Bank® branches making a real difference to the lives of local people.

Whether it's building a community hall, sponsoring an art prize or even buying new footy jumpers for the local side – these Community Bank® branches are helping improve the economic and social prospects of their local communities.

Add to those contributions the employment of more than 1000 staff members and daily expenses in the local economy and you have a truly meaningful contribution to those communities and to local prosperity.

As we reflect on the past 10 years, it's with a feeling of great pride and accomplishment for what has been achieved in partnership between our team at the Bendigo and our community partners.

The landscape of banking has changed dramatically, but more importantly – so have the communities we partner and our own organisation.

Our partners have taken charge of outcomes locally that will impact positively for many years to come. Likewise, our organisation has built on our community focussed heritage and evolved to become a true partner to community. Your commitment, enthusiasm and belief in the Community Bank® model has been instrumental, and for that we thank you.

And here we are, only 10 years into this wonderful journey. Who knows what positive outcomes we'll be talking about in 10 years time, as the Community Bank® network matures?

It's an exciting prospect – and we are very proud of what our team and the communities we partner have achieved together.

Russell Jenkins  
Chief General Manager  
Retail & Distribution

# Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2008.

## Directors

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

### **Anthony Dal Corobbo**

Chairman

Age: 61

Semi-retired

Interests in shares: 5,001

### **Jeanette Ellen Worthington**

Secretary

Age: 55

Clerical Officer

Interests in shares: 5,001

### **Geoffrey John Izard**

Director

Age: 71

Business Proprietor

Interests in shares: 6,001

### **Kay Elizabeth Martin**

Director

Age: 55

Solicitor

Interests in shares: 5,001

### **Barry Lyle Smith**

Director

Age: 67

Horticulturist

Interests in shares: 4,001

### **Graeme Keith Stephens**

Director

Age: 65

Retired

Interests in shares: 6,001

### **Daryl Andrew Brown**

Treasurer (Resigned 30 June 2008)

Age: 41

Accountant

Interests in shares: 1

### **Maureen Helen Gathercole**

Director (Resigned 19 November 2007)

Age: 58

Business Proprietor

Interests in shares: 1,001

### **Doretta Fay Sutton**

Director (Resigned 19 November 2007)

Age: 77

Retired

Interests in shares: 601

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

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

## Company Secretary

The Company Secretary is Jeanette Ellen Worthington. Jeanette was appointed as secretary 10 March 2004. She has prior experience as a secretary with numerous not-for-profit organisations.

## Principal Activities

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

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 2008	Year Ended 30 June 2007
	\$	\$
	(26,928)	(36,523)

## Remuneration Report

### (a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

### (b) Remuneration of Area and Branch Managers

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the branch manager is to maintain remuneration at parity within the Community Bank® network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role. There are therefore no Specified Executives.

## 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' Report continued

## Directors' Benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 17 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## Indemnification and Insurance of Directors and Officers

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

## Directors Meetings

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

	Number of Board Meetings	
	Eligible To Attend	Number Attended
Anthony Dal Corobbo	11	10
Jeanette Ellen Worthington	11	11
Geoffrey John Izard	11	7
Kay Elizabeth Martin	11	5
Barry Lyle Smith	11	6
Graeme Keith Stephens	11	7
Daryl Andrew Brown (Resigned 30 June 2008)	11	11
Maureen Helen Gathercole (Resigned 19 November 2007)	6	4
Doretta Fay Sutton (Resigned 19 November 2007)	6	5

## 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.



## Directors' Report 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; and
- 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 5.

Signed in accordance with a resolution of the Board of Directors at Merbein, Victoria on 13 October 2008.



Jeanette Ellen Worthington  
Secretary



Geoffrey John Izard  
Director

# Auditor's Independence Declaration



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## **Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Merbein District Community Financial Services Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; 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 13<sup>th</sup> day of October 2008

# Income Statement

For the year Ended 30 June 2008

	Notes	2008 \$	2007 \$
Revenues from ordinary activities	3	379,177	290,983
Salaries and employee benefits expense		(259,423)	(210,494)
Advertising and promotion expenses		(19,860)	8,539
Occupancy and associated costs		(29,162)	(26,014)
Systems costs		(28,167)	(25,172)
Depreciation and amortisation expense	4	(16,869)	(18,206)
General administration expenses		(61,419)	(53,602)
<b>Loss before income tax credit</b>		<b>(35,724)</b>	<b>(51,044)</b>
Income tax credit	5	8,796	14,521
<b>Loss for the period</b>		<b>(26,928)</b>	<b>(36,523)</b>
<b>Loss attributable to members of the entity</b>		<b>(26,928)</b>	<b>(36,523)</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	18	(4.96)	(6.73)

*The accompanying notes form part of these financial statements.*

# Balance Sheet

As at 30 June 2008

	Notes	2008 \$	2007 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash assets	6	24,309	30,287
Trade and other receivables	7	20,947	31,423
<b>Total Current Assets</b>		<b>45,256</b>	<b>61,710</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	56,590	61,459
Intangible assets	9	12,690	24,690
Deferred tax assets	10	117,538	108,742
<b>Total Non-Current Assets</b>		<b>186,818</b>	<b>194,891</b>
<b>Total Assets</b>		<b>232,074</b>	<b>256,601</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	15,539	19,010
Provisions	12	12,988	10,112
<b>Total Current Liabilities</b>		<b>28,527</b>	<b>29,122</b>
<b>Non-Current Liabilities</b>			
Provisions	12	2,996	-
<b>Total Non-Current Liabilities</b>		<b>2,996</b>	<b>-</b>
<b>Total Liabilities</b>		<b>31,523</b>	<b>29,122</b>
<b>Net Assets</b>		<b>200,551</b>	<b>227,479</b>
<b>Equity</b>			
Issued capital	13	490,005	490,005
Accumulated losses	14	(289,454)	(262,526)
<b>Total Equity</b>		<b>200,551</b>	<b>227,479</b>

*The accompanying notes form part of these financial statements.*

# Statement of Changes of Equity

For the year ended 30 June 2008

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Total equity at the beginning of the period	227,479	264,002
Net loss for the period	(26,928)	(36,523)
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	-	-
Shares issued during period	-	-
Total equity at the end of the period	<b>200,551</b>	<b>227,479</b>

*The accompanying notes form part of these financial statements.*

# Statement of Cashflows

For the year ended 30 June 2008

	Notes	2008 \$	2007 \$
<hr/>			
Cash Flows From Operating Activities			
Receipts from customers		389,112	275,436
Payments to suppliers and employees		(395,601)	(306,459)
Interest received		541	1,610
Interest paid		(30)	-
<hr/>			
<b>Net cash used in operating activities</b>	15	<b>(5,978)</b>	<b>(29,413)</b>
<hr/>			
Net decrease in cash held		(5,978)	(29,413)
Cash at the beginning of the financial year		30,287	59,700
<hr/>			
<b>Cash at the end of the financial year</b>	6(a)	<b>24,309</b>	<b>30,287</b>

*The accompanying notes form part of these financial statements.*

# Notes to the Financial Statements

For the year ended 30 June 2008

## 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.

### 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).

# Notes to the Financial Statements continued

For the year ended 30 June 2008

## **1. Summary of Significant Accounting Policies** continued

### **Income Tax** continued

#### *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.

### **Employee Entitlements**

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

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

### **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 cent 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.



# Notes to the Financial Statements continued

## For the year ended 30 June 2008

### **1. Summary of Significant Accounting Policies** continued

#### **Comparative Figures**

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

#### **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

#### **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.

# Notes to the Financial Statements continued

## For the year ended 30 June 2008

### **1. Summary of Significant Accounting Policies** continued

#### **Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

#### **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.

### **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 Bank Limited.

#### **(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 Bank Limited mitigates this risk significantly.

#### **(v) Cash Flow and Fair Value Interest Rate Risk**

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

# Notes to the Financial Statements continued

For the year ended 30 June 2008

	2008 \$	2007 \$
<b>3. Revenue from Ordinary Activities</b>		
Operating activities:		
- margin income	187,288	143,739
- commission fees	190,099	144,035
- other revenue	1,282	1,521
<b>Total revenue from operating activities</b>	<b>378,669</b>	<b>289,295</b>
Non-operating activities:		
- interest received	508	1,688
<b>Total revenue from non-operating activities</b>	<b>508</b>	<b>1,688</b>
<b>Total revenues from ordinary activities</b>	<b>379,177</b>	<b>290,983</b>
<b>4. Expenses</b>		
Depreciation of non-current assets:		
- office furniture and equipment	1,872	2,845
- leasehold improvements	2,997	3,361
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	16,869	18,206
Finance costs:		
- interest paid	30	
<b>5. Income Tax Expense</b>		
The components of tax expense comprise:		
- Deferred tax on provisions	(4,824)	-
- Future income tax benefit attributable to losses	(6,518)	(14,521)
- Under/over provision from prior year	2,546	-
	(8,796)	(14,521)
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating loss	(35,723)	(51,044)
Prima facie tax on loss from ordinary activities at 30%	(10,717)	(15,313)
Add tax effect of:		
- non-deductible expenses	3,681	3,600
- timing difference expenses	3,662	336
- other deductible expense	(3,144)	(3,144)
Current tax	(6,518)	(14,521)
Movement in deferred tax	10. (4,824)	-
Under/over provision from prior year	2,546	-
	(8,796)	(14,521)

# Notes to the Financial Statements continued

For the year ended 30 June 2008

	2008 \$	2007 \$
<b>6. Cash Assets</b>		
Cash at bank and on hand	17,535	11,632
Term deposits	6,774	18,655
	24,309	30,287

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	17,535	11,632
Term deposit	6,774	18,655
	24,309	30,287

## **7. Trade and Other Receivables**

Trade receivables	17,602	22,078
Prepayments	3,345	9,345
	20,947	31,423

## **8. Property, Plant and Equipment**

### *Fit Out Costs*

At cost	63,508	63,508
Less accumulated depreciation	(14,677)	(11,680)
	48,831	51,828

### *Office Furniture*

At cost	19,795	19,795
Less accumulated depreciation	(12,036)	(10,164)
	7,759	9,631

Total written down amount	56,590	61,459
---------------------------	--------	--------

## **Movements in carrying amounts:**

### *Fit Out Costs*

Carrying amount at beginning	51,828	55,189
Less: depreciation expense	(2,997)	(3,361)
Carrying amount at end	48,831	51,828

### *Leasehold improvements*

Office Furniture	9,631	12,476
Less: depreciation expense	(1,872)	(2,845)
Carrying amount at end	7,759	9,631

Total written down amount	56,590	61,459
---------------------------	--------	--------

# Notes to the Financial Statements continued

For the year ended 30 June 2008

	2008 \$	2007 \$
<b>9. Intangible Assets</b>		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less: accumulated amortisation	(47,310)	(35,310)
	12,690	24,690
<b>10. Deferred Tax</b>		
Deferred Tax Asset		
- Opening Balance	108,742	105,547
Future income tax benefits attributable to losses	6,518	3,195
Deferred tax on provisions	4,824	-
Under/over provision from prior year	(2,546)	-
- Closing Balance	117,538	108,742
<b>11. Trade and Other Payables</b>		
Trade creditors	12,233	17,010
Other creditors & accruals	3,306	2,000
	15,539	19,010
<b>12. Provisions</b>		
<b>Current</b>		
Employee provisions	12,988	10,112
<b>Non-Current</b>		
Employee provisions	2,996	-
Number of employees at year end	2	5
<b>13. Contributed Equity</b>		
542,111 Ordinary shares fully paid of \$1 each (2007: 542,111)	542,411	542,411
Less: equity raising expenses	(52,406)	(52,406)
	490,005	490,005
<b>14. Accumulated Losses</b>		
Balance at the beginning of the financial year	(262,525)	(226,002)
Net loss from ordinary activities after income tax	(26,928)	(36,523)
Balance at the end of the financial year	(289,453)	(262,525)

# Notes to the Financial Statements continued

For the year ended 30 June 2008

	2008 \$	2007 \$
<b>15. Statement of Cashflows</b>		
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(26,928)	(36,523)
Non cash items:		
- depreciation	4,869	6,206
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	10,476	(1,924)
- (increase) in other assets	(8,796)	(11,326)
- increase/(decrease) in payables	(3,471)	3,013
- increase in provisions	5,872	2,336
Net cashflows used in operating activities	(5,978)	(26,218)

## 16. Auditors' remuneration

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

- audit & review services	3,000	3,000
- non audit services	800	750
	3,800	3,750

## 17. Director and Related Party Disclosures

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

Anthony Dal Corobbo  
 Jeanette Ellen Worthington  
 Geoffrey John IZARD  
 Kay Elizabeth Martin  
 Barry Lyle Smith  
 Graeme Keith Stephens  
 Daryl Andrew Brown (Resigned 30 June 2008)  
 Maureen Helen Gathercole (Resigned 12 February 2008)  
 Doretta Fay Sutton (Resigned 4 December 2007)

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

<b>Directors Shareholdings</b>	<b>2008</b>	<b>2007</b>
Anthony Dal Corobbo	5,001	5,001
Jeanette Ellen Worthington	5,001	5,001
Geoffrey John IZARD	6,001	6,001
Kay Elizabeth Martin	5,001	5,001
Barry Lyle Smith	5,001	5,001
Graeme Keith Stephens	6,001	6,001
Daryl Andrew Brown (Resigned 30 June 2008)	1	1
Maureen Helen Gathercole (Resigned 12 February 2008)	1,001	1,001
Doretta Fay Sutton (Resigned 4 December 2007)	601	601

There was no movement in directors shareholdings during the year. Each share held is valued at \$1.

# Notes to the Financial Statements continued

For the year ended 30 June 2008

	2008 \$	2007 \$
<b>18. Earnings Per Share</b>		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	(26,928)	(36,523)
	<b>2008 Number</b>	<b>2007 Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	542,411	542,411

## 19. 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.

## 20. Contingent Liabilities

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

## 21. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being the Merbein district, Victoria.

## 22. Registered Office/principal Place of Business

The registered office and principal place of business is:

**Registered Office**  
133-139 Langtree Avenue  
Mildura Victoria 3500

**Principal Place of Business**  
66 Commercial Street  
Merbein Victoria 3505

# Notes to the Financial Statements continued

For the year ended 30 June 2008

## 23. Financial Instruments

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

#### Fixed Interest Rate Maturing In

Financial Instrument	Floating Interest Rate		1 Year or Less		Over 1 to 5 Years		Over 5 Years		Non Interest Bearing		Weighted Average Effective Interest Rate	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash assets	17,335	19,892	-	-	-	-	-	-	200	200	0.05	0.05
Term Deposit	-	-	6,774	10,195	-	-	-	-	-	-	6.25	5.25
Receivables	-	-	-	-	-	-	-	-	20,947	31,423	N/A	N/A
<b>Financial liabilities</b>												
Payables	-	-	-	-	-	-	-	-	15,539	19,010	N/A	N/A



# Directors' Declaration

In accordance with a resolution of the directors of Merbein District Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 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.
- (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.



Jeanette Ellen Worthington  
Secretary



Geoffrey John Izard  
Director

Signed on the 13th of October 2008

# Independent Auditor's Report



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## INDEPENDENT AUDITOR'S REPORT

To the members of Merbein District Community Financial Services Limited

We have audited the accompanying financial report of Merbein District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

### Directors Responsibility for the Financial Report

The directors 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

### 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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

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.

# Independent Auditor's Report continued

## **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**

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Merbein District Community Financial Services Limited as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures.



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

Dated this 13<sup>th</sup> day of October 2008



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Facsimile (03) 5025 1388

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Community Financial Services Limited  
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ABN 68 108 297 945

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