# Merbein District Community Services Limited

ABN 68 108 297 945

## Annual Report

# 2010

Merbein & District
**Community Bank®** Branch

Bendigo Bank

# Contents

# Chairman's Report

Welcome shareholders and guests to our Annual General Meeting of Merbein District Community Services Limited; for the year ended June 2010.

The last 12 months have certainly been challenging for the economy and our Community of Merbein; keeping pressure on the future planning of our growers and business's. Mildura Rural City Council has continued with projects for Merbein with the welcome news that we shall have a new Community Library Hub; this will certainly add to the positive side of our Community as we continue to grow.

May I say the same applies to our District and Community Bank® Branch of Bendigo Bank. It has been another growth year, which we feel is very exciting news. Fellow directors and myself are volunteers and very committed to promoting our Community Bank® branch, to see it continue to grow as a business and supporting our Branch Manager, Robert Libchard and members of staff; Deb, Naomi, Tanya, Sam, Rebecca and Lauren (on maternity leave.) We all owe them a big thank you, not only for friendly and professional service to clients of our branch but also their belief in the Community Bank® concept and commitment to our wider Community; especially when it is events like our Annual General Meetings and birthday celebrations; both coinciding with grants presentations. I am sure you will agree with me that our sixth birthday and grants night was a great success, due mainly to the preparation and hard work of Robert, staff and Director Jeanette. We are attracting more attention to these nights each year.

Thank you to Robert for your reports and input at our meetings; they are invaluable. Our bookkeeper, Sue Chapman, Fellow Directors Jeanette, our capable Secretary; Geoff, Barry, Steve, Raywin and new member Rebecca. It is a privilege to serve on the Board with each of you. Thank you to both Gary and Steve who resigned during the year owing to employment changes. I wish to also thank our Bendigo Bank Regional Manager, John Sirolli for your encouragement, and your presentations at our meetings and special gatherings.

We again thank all Shareholders, past and current Directors for your vision in Merbein's need for a Community Bank® branch. We do plan to address the lack of numbers of Directors.

In closing my report, Shareholders please be encouraged by the performance of our Community Bank® branch in banking. be encouraged that through the Marketing Development Fund we are able to financially assist so many local sporting and Community groups, and please be confident in recommending to your family and friends that they go into our Branch, discuss their banking needs and bank with your Community Bank® branch.

Thank you,

Marianne Glover
Chairman

# Branch Manager's Report

## For year ending 30 June 2010

It gives me great pleasure to report on the progress of Merbein & District Community Bank® Branch, to our valued shareholders, for the year ended 30 June 2010.

12 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 six years ago. Our customers and shareholders have once again been great ambassadors for your Community Bank® branch.

Some of the highlights attributed to the branch to 30/06/2010 include:

- total business held at the branch in excess of $ 46 million;
- over 3,900 accounts;
- over 1,950 account holders;
- over $89,000 donated or pledge back to the community through various sponsorships, grants and donations to this date;
- continuation of a quarterly newsletter;
- continuation of School Banking to the district which encompasses our five primary schools;
- installation of an ATM which up to 30 June 2010 had over 100,000 transactions; and
- net profit of $8,200 and this is up from a loss last year of $29,483 (turn-around of $37,683).

The prime objective of Merbein & District Community Bank® Branch is to continue recording profits which enable us to make a financial return to our community. Simply by doing you're banking with us you are making this 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 me or my friendly staff about how we can assist you with transferring your banking business and remember everyone needs to bank somewhere, why not bank with us where we can make a difference to our community. If you have already started banking with us, thank you – you are the greatest advocate of the Merbein & District Community Bank® Branch.

I would thank my staff members Lauren, Rebecca, Tanya, Sam, Deb and Naomi, for their dedication and continued great work. It truly is a great pleasure to come to work everyday and be greeted by such a devoted group of people who only have your Community Bank® at heart. 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 also like to thank our Board for their continued great work. It is sometimes a thankless job that has been guided brilliantly by Geoff Izard as Interim Chairman and more recently Steve Milverton and now Marianne Glover, so credit must go out to him and the rest of the Board of Directors their continued commitment to our branch.

Rob Libchard
Branch Manager

# A Message from Bendigo Bank

Now in its 13th year, the Community Bank® network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new Community Bank® branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than $16.3 billion.

Our Community Bank® customers have been served by more than 1,150 staff that are supported by almost 1,700 volunteer directors.

And these directors are endorsed by around 63,000 shareholders who have received more than $14.7 million in dividends, a reward for their belief in the Community Bank® concept.

All of this support has enabled the Community Bank® network to return more than $40.3 million to assist local community groups and projects since the first Community Bank® branch opened in 1998.

These figures add up to a strong Community Bank® network, a franchise of the Bendigo and Adelaide Bank, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our Community Bank® network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont Community Bank® Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the Community Bank® network generates for its local communities.

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the Community Bank® network.

Russell Jenkins
Executive Customer and Community

# Directors' Report

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

**Jeanette Ellen Worthington**
Secretary
Age: 57
Clerical Officer
Interests in shares: 5,001

**Geoffrey John Izard**
Director
Age: 72
Horticulturist
Interests in shares: 6,001

**Stephen Joszef Lorincz**
Director
Age: 48
Hotel-Motel Owner
Interests in shares: 1

**Rebecca Claire Wells**
Director *(Appointed 27 April 2010)*
Age: 35
Administration
Interest in shares: 1

**Garry William Costello**
Director *(Resigned 24 November 2009)*
Age: 57
School Principal
Interests in shares: Nil

**Barry Lyle Smith**
Director
Age: 69
Horticulturist
Interests in shares: 5,001

**Marianne Dawn Glover**
Director
Age: 60
Hairdresser
Interests in shares: 1

**Raywin Mary Jamieson**
Director *(Appointed 24 November 2009)*
Age: 53
Hairdresser
Interest in shares: 1

**Stephen Thomas Milverton**
Director *(Resigned 22 June 2010)*
Age: 41
School Principal
Interests in shares: Nil

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 and Adelaide Bank Limited.

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

**Operating Results**

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

| Year ended 30 June 2010 $ | Year ended 30 June 2009 $ |
|---|---|
| 8,200 | (29,483) |

## 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 statements.

## Matters Subsequent to the End of the Financial Year

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

## Likely Developments

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

## Environmental Regulation

The company is not subject to any significant environmental regulation.

## Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

## Indemnification and Insurance of Directors and Officers

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

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

**Directors Meetings**

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

| | Board Meetings Attended | | Committee Meetings Attended Grants | |
|---|---|---|---|---|
| | *Eligible* | *Attended* | *Eligible* | *Attended* |
| Jeanette Ellen Worthington | 9 | 9 | 2 | 2 |
| Barry Lyle Smith | 9 | 9 | | |
| Geoffrey John Izard | 9 | 8 | 2 | 2 |
| Marianne Dawn Glover | 9 | 9 | | |
| Stephen Joszef Lorincz | 9 | 3 | | |
| Raywin Mary Jamieson *(Appointed 24 November 2009)* | 5 | 4 | | |
| Rebecca Claire Wells *(Appointed 27 April 2010)* | 2 | 2 | | |
| Stephen Thomas Milverton *(Resigned 22 Jun 2010)* | 9 | 5 | | |
| Garry William Costello *(Resigned 24 November 2009)* | 4 | 3 | | |

Branch Manager, Robert Libchard is also a member of the Grants sub-committee and attended both meetings held during the year.

**Non Audit Services**

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

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

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

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

**Auditors' Independence Declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the board of directors at Merbein, Victoria on 28 September 2010.

**Jeanette Ellen Worthington, Secretary**

**Geoffrey John Izard, Director**

# Auditor's Independence Declaration

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Chartered Accountants & Business Advisors

**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 2010 there have been:

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

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

Dated this 28th day of September 2010

Liability limited by a scheme approved under Professional Standards Legislation

# Statement of Comprehensive Income

## For the year Ended 30 June 2010

| | Notes | 2010 $ | 2009 $ |
|---|---|---|---|
| Revenues from ordinary activities | 4 | 489,516 | 375,029 |
| Employee benefits expense | | (271,807) | (260,601) |
| Charitable donations, sponsorship, advertising and promotion | | (44,166) | (14,480) |
| Occupancy and associated costs | | (31,129) | (31,566) |
| Systems costs | | (22,460) | (22,195) |
| Depreciation and amortisation expense | 5 | (23,330) | (19,090) |
| Finance costs | 5 | (2,505) | (1,421) |
| General administration expenses | | (80,941) | (72,186) |
| **Profit/(loss) before income tax (expense)/credit** | | **13,178** | **(46,510)** |
| Income tax (expense)/credit | 6 | (4,978) | 17,027 |
| **Profit/(loss) after income tax (expense)/credit** | | 8,200 | (29,483) |
| **Total comprehensive income for the year** | | **8,200** | **(29,483)** |
| **Earnings per share (cents per share)** | | c | c |
| - basic for profit for the year | 22 | 1.51 | (5.44) |

The accompanying notes form part of these financial statements

# Balance Sheet
## As at 30 June 2010

| | Notes | 2010 $ | 2009 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 54,632 | 28,181 |
| Trade and other receivables | 8 | 29,287 | 33,659 |
| **Total Current Assets** | | **83,919** | **61,840** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 9 | 65,101 | 74,288 |
| Intangible assets | 10 | 53,815 | 67,958 |
| Deferred tax assets | 11 | 129,587 | 134,565 |
| **Total Non-Current Assets** | | **248,503** | **276,811** |
| **Total Assets** | | **332,422** | **338,651** |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 29,077 | 107,510 |
| Borrowings | 13 | 104,664 | 40,487 |
| Provisions | 14 | 11,738 | 14,221 |
| **Total Current Liabilities** | | 145,479 | 162,218 |
| **Non-Current Liabilities** | | | |
| Provisions | 14 | 7,675 | 5,365 |
| **Total Non-Current Liabilities** | | 7,675 | 5,365 |
| **Total Liabilities** | | 153,154 | 167,583 |
| **Net Assets** | | 179,268 | 171,068 |
| **Equity** | | | |
| Issued capital | 15 | 490,005 | 490,005 |
| Accumulated losses | 16 | (310,737) | (318,937) |
| **Total Equity** | | 179,268 | 171,068 |

The accompanying notes form part of these financial statements

# Statement of Changes of Equity

## For the year ended 30 June 2010

| | Issued Capital $ | Retained Earnings $ | Total Equity $ |
|---|---|---|---|
| **Balance at 1 July 2008** | 490,005 | (289,454) | 200,551 |
| **Total comprehensive income for the year** | - | (29,483) | (29,483) |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | - | - |
| **Balance at 30 June 2009** | 490,005 | (318,937) | 171,068 |
| **Balance at 1 July 2009** | 490,005 | (318,937) | 171,068 |
| **Total comprehensive income for the year** | - | 8,200 | 8,200 |
| **Transactions with owners in their capacity as owners:** | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | - | - |
| **Balance at 30 June 2010** | 490,005 | (310,737) | 179,268 |

The accompanying notes form part of these financial statements

# Statement of Cash Flows

## For the year ended 30 June 2010

| | Notes | 2010<br>$ | 2009<br>$ |
|---|---|---|---|
| **Cash Flows From Operating Activities** | | | |
| Receipts from customers | | 532,392 | 361,827 |
| Payments to suppliers and employees | | (476,334) | (392,345) |
| Interest received | | 451 | 490 |
| Interest paid | | (2,179) | (1,421) |
| **Net cash provided by/(used in) operating activities** | 17 | 54,330 | (31,449) |
| **Cash Flows From Investing Activities** | | | |
| Payments for property, plant and equipment | | (24,788) | (5,166) |
| Payments for intangible assets | | (67,268) | - |
| **Net cash used in investing activities** | | (92,056) | (5,166) |
| **Net increase/(decrease) in cash held** | | (37,726) | (36,615) |
| Cash and cash equivalents at the beginning of the financial year | | (12,306) | 24,309 |
| **Cash and cash equivalents at the end of the financial year** | 7(a) | (50,032) | (12,306) |

The accompanying notes form part of these financial statements

## Note 1. Summary of Significant Accounting Policies

### a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

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

Historical cost convention

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

Comparative figures

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**a) Basis of Preparation (continued)**

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

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

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

**b) Revenue**

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

**c) Income Tax**

Current tax

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

Deferred tax

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

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

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

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**c) Income Tax (continued)**

Current and deferred tax for the period

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

**d) Employee Entitlements**

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

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

**e) Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**f) Trade Receivables and Payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**g) Property, Plant and Equipment**

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

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

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

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

**h) Intangibles**

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

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

# Notes to the Financial Statements continued
For the year ended 30 June 2010

**Note 1. Summary of Significant Accounting Policies (continued)**

**i) Payment Terms**

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

**j) Borrowings**

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

**k) Financial Instruments**

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

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

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

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

Impairment

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

**l) Leases**

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

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

**Note 1. Summary of Significant Accounting Policies (continued)**

**m) Provisions**

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

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

**n) Contributed Equity**

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**o) Earnings Per Share**

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

**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**Note 2. Financial Risk Management**

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

## Note 2. Financial Risk Management (continued)

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

(i) the distribution limit is the greater of:
 (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
 (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the statement of comprehensive income.

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

## Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

## Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

# Notes to the Financial Statements continued

For the year ended 30 June 2010

| Note 4. Revenue from Ordinary Activities | 2010 $ | 2009 $ |
|---|---|---|
| Operating activities: | | |
| - services commissions | 385,740 | 295,572 |
| - other revenue | 103,197 | 78,967 |
| Total revenue from operating activities | 488,937 | 374,539 |
| Non-operating activities: | | |
| - interest received | 579 | 490 |
| Total revenue from non-operating activities | 579 | 490 |
| Total revenues from ordinary activities | 489,516 | 375,029 |

| Note 5. Expenses | | |
|---|---|---|
| Depreciation of non-current assets: | | |
| - plant and equipment | 6,647 | 4,258 |
| - leasehold improvements | 2,540 | 2,832 |
| Amortisation of non-current assets: | | |
| - franchise agreement | 2,932 | 12,000 |
| - franchise renewal fee | 11,211 | - |
| | 23,330 | 19,090 |
| Finance costs: | | |
| - interest paid | 2,505 | 1,421 |
| Bad debts | 554 | 806 |

| Note 6. Income Tax Expense/(Credit) | | |
|---|---|---|
| The components of tax expense comprise: | | |
| - Current tax | - | - |
| - Future income tax benefit attributed to losses | - | (16,359) |
| - Movement in deferred tax | (1,749) | 1,878 |
| - Recoup of prior year tax loss | 6,727 | - |
| - Under/(Over) provision of tax in the prior period | - | (2,546) |
| | 4,978 | (17,027) |

# Notes to the Financial Statements continued
For the year ended 30 June 2010

| Note 6. Income Tax Expense/(Credit) (continued) | Note | 2010 $ | 2009 $ |
|---|---|---|---|
| The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows: | | | |
| Operating profit/(loss) | | 13,178 | (46,510) |
| Prima facie tax on profit from ordinary activities at 30% | | 3,953 | (13,953) |
| Add tax effect of: | | | |
| - non-deductible expenses | | 4,243 | 3,600 |
| - timing difference expenses | | 1,675 | (2,861) |
| - other deductible expenses | | (3,144) | (3,144) |
| | | 6,727 | (16,358) |
| Movement in deferred tax | 11 | (1,749) | 1,878 |
| Under/(Over) provision of income tax in the prior year | | - | (2,546) |
| | | 4,978 | (17,027) |

**Note 7. Cash and Cash Equivalents**

| | | | |
|---|---|---|---|
| Cash at bank and on hand | | 44,068 | 18,019 |
| Term deposits | | 10,564 | 10,162 |
| | | 54,632 | 28,181 |

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

**Note 7.(a) Reconciliation of cash**

| | | | |
|---|---|---|---|
| Cash at bank and on hand | | 44,068 | 18,019 |
| Term deposits | | 10,564 | 10,162 |
| Bank overdraft | 13 | (104,664) | (40,487) |
| | | (50,032) | (12,306) |

**Note 8. Trade and Other Receivables**

| | | | |
|---|---|---|---|
| Trade receivables | | 23,461 | 22,433 |
| Other receivables & accruals | | 280 | 153 |
| Prepayments | | 5,546 | 11,073 |
| | | 29,287 | 33,659 |

# Notes to the Financial Statements continued
For the year ended 30 June 2010

## Note 9. Property, Plant and Equipment

| | 2010 $ | 2009 $ |
|---|---|---|
| Plant and equipment | | |
| At cost | 44,583 | 44,583 |
| Less accumulated depreciation | (22,941) | (16,294) |
| | 21,642 | 28,289 |
| Leasehold improvements | | |
| At cost | 63,508 | 63,508 |
| Less accumulated depreciation | (20,049) | (17,509) |
| | 43,459 | 45,999 |
| Total written down amount | 65,101 | 74,288 |

**Movements in carrying amounts:**

| | 2010 $ | 2009 $ |
|---|---|---|
| Plant and equipment | | |
| Carrying amount at beginning | 28,289 | 44,583 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (6,647) | (16,294) |
| Carrying amount at end | 21,642 | 28,289 |
| Leasehold improvements | | |
| Carrying amount at beginning | 45,999 | 48,831 |
| Additions | - | - |
| Disposals | - | - |
| Less: depreciation expense | (2,540) | (2,832) |
| Carrying amount at end | 43,459 | 45,999 |
| Total written down amount | 65,101 | 74,288 |

## Note 10. Intangible Assets

| | 2010 $ | 2009 $ |
|---|---|---|
| Franchise fee | | |
| At cost | 71,211 | 71,211 |
| Less: accumulated amortisation | (62,242) | (59,310) |
| | 8,969 | 11,901 |
| Renewal processing fee | | |
| At cost | 56,057 | 56,057 |
| Less: accumulated amortisation | (11,211) | - |
| | 44,846 | 56,057 |
| Total written down amount | 53,815 | 67,958 |

| Note 11. Tax | 2010 $ | 2009 $ |
|---|---|---|
| **Current:** | | |
| Income tax payable/(Refundable) | - | - |
| **Non-Current:** | | |
| Deferred tax assets | | |
| - accruals | 433 | 438 |
| - employee provisions | 5,824 | 5,876 |
| - tax losses carried forward | 124,892 | 131,619 |
| | 131,149 | 137,933 |
| Deferred tax liability | | |
| - accruals | 84 | 46 |
| - deductible prepayments | 1,478 | 3,322 |
| | 1,562 | 3,368 |
| Net deferred tax asset/(liability) | 129,587 | 134,565 |
| Movement in deferred tax charged to statement of comprehensive income | (1,749) | 1,878 |

**Note 12. Trade and Other Payables**

| | | |
|---|---|---|
| Trade creditors | 26,302 | 105,062 |
| Other creditors & accruals | 2,775 | 2,448 |
| | 29,077 | 107,510 |

**Note 13. Borrowings**

| | | |
|---|---|---|
| **Current:** | | |
| Bank overdrafts | 104,664 | 40,487 |

As at balance date the above bank overdraft facility had an overdraft limit of $200,000 and is charged interest at the Bendigo and Adelaide Bank Limited's Business Solutions Non-Residential Secured Interest Rate (currently 9.64% varying from time to time).

**Note 14. Provisions**

| | | |
|---|---|---|
| **Current:** | | |
| Provision for annual leave | 11,738 | 14,221 |
| **Non-Current:** | | |
| Provision for long service leave | 7,675 | 5,365 |
| Number of employees at year end | 3 | 2 |

| **Note 15. Contributed Equity** | **2010** <br> **$** | **2009** <br> **$** |
|---|---|---|
| 542,111 Ordinary shares fully paid of $1 each (2009: 542,111) | 542,411 | 542,411 |
| Less: equity raising expenses | (52,406) | (52,406) |
| | 490,005 | 490,005 |

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(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.

**Note 15. Contributed Equity (continued)**

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

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

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

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

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

| **Note 16. Accumulated Losses** | **2010** $ | **2009** $ |
|---|---|---|
| Balance at the beginning of the financial year | (318,937) | (289,454) |
| Net profit/(loss) from ordinary activities after income tax | 8,200 | (29,483) |
| Balance at the end of the financial year | (310,737) | (318,937) |

**Note 17. Statement of Cashflows**

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

| | | |
|---|---|---|
| Profit/(Loss) from ordinary activities after income tax | 8,200 | (29,483) |
| Non cash items: | | |
| - depreciation | 9,187 | 7,090 |
| - amortisation | 14,143 | 12,000 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | 4,372 | (12,712) |
| - (increase)/decrease in other assets | 4,978 | (17,027) |
| - increase/(decrease) in payables | 13,623 | 5,081 |
| -increase/(decrease) in provisions | (173) | 3,602 |
| Net cashflows provided by/(used in) operating activities | 54,330 | (31,449) |

# Notes to the Financial Statements continued
## For the year ended 30 June 2010

| Note 18. Leases | 2010 $ | 2009 $ |
|---|---|---|
| Operating lease commitments | | |
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Payable - minimum lease payments | | |
| - not later than 12 months | 14,560 | 14,476 |
| - between 12 months and 5 years | 43,680 | 58,240 |
| - greater than 5 years | - | - |
| | 58,240 | 72,716 |

The rental lease agreement on the branch premises is a non-cancellable lease with a five-year term, commencing 26 July 2009. There is an option available for a futher five year term, to be exercised prior to 26 April 2014.

**Note 19. Auditors' Remuneration**

| | 2010 $ | 2009 $ |
|---|---|---|
| Amounts received or due and receivable by the auditor of the company for: | | |
| - audit & review services | 3,400 | 3,550 |
| - share registry services | 2,650 | - |
| - non audit services | 1,610 | 4,117 |
| | 7,660 | 7,667 |

**Note 20. Director and Related Party Disclosures**

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

Jeanette Ellen Worthington

Barry Lyle Smith

Geoffrey John Izard

Marianne Dawn Glover

Stephen Joszef Lorincz

Raywin Mary Jamieson *(Appointed 24 November 2009)*

Rebecca Claire Wells *(Appointed 27 April 2010)*

Stephen Thomas Milverton *(Resigned 22 Jun 2010)*

Garry William Costello *(Resigned 24 November 2009)*

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

### Note 20. Director and Related Party Disclosures (continued)

| Directors Shareholdings | 2010 | 2009 |
|---|---|---|
| Jeanette Ellen Worthington | 5,001 | 5,001 |
| Barry Lyle Smith | 5,001 | 5,001 |
| Geoffrey John Izard | 6,001 | 6,001 |
| Marianne Dawn Glover | 1 | 1 |
| Stephen Joszef Lorincz | 1 | 1 |
| Raywin Mary Jamieson *(Appointed 24 November 2009)* | 1 | - |
| Rebecca Claire Wells *(Appointed 27 April 2010)* | 1 | - |
| Stephen Thomas Milverton *(Resigned 22 Jun 2010)* | - | 1 |
| Garry William Costello *(Resigned 24 November 2009)* | - | 1 |

The movement in the directors shareholdings during the year is outlined above.

### Note 21. 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 22. Earnings Per Share

| | 2010 $ | 2009 $ |
|---|---|---|
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | 8,200 | (29,483) |
| | **Number** | **Number** |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 542,411 | 542,411 |

### Note 23. Events Occurring After the Balance Sheet Date

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

### Note 24. Contingent Liabilities

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

### Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services in Merbein and surrounding districts pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

**Note 26. Registered Office/Principal Place of Business**

The registered office and principal place of business is:

| Registered Office | Principal Place of Business |
|---|---|
| 66 Commercial Street<br>Merbein VIC 3505 | 66 Commercial Street<br>Merbein VIC 3505 |

**Note 27. Financial Instruments**

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

| Financial instrument | Floating interest rate | | Fixed interest rate maturing in | | | | | | Non interest bearing | | Weighted average effective interest rate | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| | 2010 $ | 2009 $ | 2010 $ | 2009 $ | 2010 $ | 2009 $ | 2010 $ | 2009 $ | 2010 $ | 2009 $ | 2010 % | 2009 % |
| **Financial Assets** | | | | | | | | | | | | |
| Cash and cash equivalents | 43,868 | 17,819 | 10,564 | 10,162 | - | - | - | - | 200 | 200 | 1.81 | 2.08 |
| Receivables | - | - | - | - | - | - | - | - | 29,287 | 33,659 | N/A | N/A |
| **Financial Liabilities** | | | | | | | | | | | | |
| Interest bearing liabilities | 104,664 | 40,487 | - | - | - | - | - | - | - | - | 2.55 | 5.46 |
| Payables | - | - | - | - | - | - | - | - | 29,077 | 107,510 | N/A | N/A |

# Directors' Declaration

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

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 2010 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.

**Jeanette Ellen Worthington, Secretary**

**Geoffrey John Izard, Director**

Signed on the 28th of September 2010.

partners in success
Chartered Accountants & Business Advisors

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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 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

### Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Merbein District Community Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying 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 issued by the International Accounting Standards Board.

### Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. 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 Merbein District Community Financial Services Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

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

Dated this 28th day of September 2010

Merbein & District
**Community Bank®** Branch
Bendigo Bank

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