

annual report | 2009



Midwest Community
Enterprises Limited
ABN 90 132 512 460

Geraldton Community Bank® Branch

Reports

Chairman's report	2-3
Manager's report	4
Bendigo and Adelaide Bank Ltd report	5
Directors' report	6-10
Financial statements	11-14
Notes to the financial statements	15-30
Directors' declaration	31
Independent audit report	32-33

Chairman's report

For year ending 30 June 2009

Dear Shareholders,

It is with great pleasure that I provide this report to the very first Annual General Meeting of the shareholders of Midwest Community Enterprises Limited.

The opening of the Geraldton **Community Bank**[®] Branch on the 18 June 2009 was a magnificent event and strongly supported by the attendance of our shareholders and customers. The branch was opened by Mayor Ian Carpenter, with Russell Jenkins, Chief General Manager, Retail and Distribution Bendigo and Adelaide Bank, and I in attendance.

This milestone was only achieved because of the support and faith that the Midwest community put into the venture, and the many months of voluntary effort by the dedicated group of people who make up the founding board of your local Geraldton **Community Bank**[®] Branch.

The Board consists of:

- Chairman – Rob Jefferies
- Deputy Chairman - Paul MacKenzie
- Treasurer - Paul Adam
- Company Secretary - Gemma Rafferty
- Directors - Gary Clark, Rob Houwen, Wayne Clarkson, Harold McCashney, Martin de Haas and Karen Godfrey.

Regretfully Gemma Moore has resigned from the Board and we sincerely thank her for the role that she has played within our team.

The Geraldton **Community Bank**[®] Branch is clearly capturing the hearts and minds of the Geraldton and broader Midwest community and collectively we have achieved some outstanding outcomes to date:

- The maximum share subscription of \$1.4million to develop and operate the branch – our target was \$1.1 million
- A balance at opening of around \$16million in banking business – our target was \$10 million.

This positions us amongst the most rapidly developing **Community Bank**[®] branches in the nation.

The Geraldton **Community Bank**[®] Branch has also recruited Branch Manager Jody Beven and a team that have outstanding credentials as friendly, responsive and competent professionals with a wealth of banking experience and knowledge of this region and our community.

This positions us extremely well to build a truly significant regional business that shall take us quickly towards our targets of profitability and to the delivery of returns to both our shareholders and to organisations that support our community.

Chairman's report continued

Our plans for the coming year include development of a new strategic business plan, establishment of committees and a marketing and sponsorship plan, and vigorously progress to profitability. All board members welcome shareholders views and ideas on these matters.

In closing, thank you for your support and please work with us to encourage many more people to join with us by placing their banking business with the Geraldton **Community Bank**[®] Branch.

A handwritten signature in dark ink, appearing to read 'R W Jefferies', with a stylized, cursive script.

R W Jefferies

Chairman

Manager's report

For year ending 30 June 2009

Having watched from a distance as the Steering Committee worked so very hard over the past 3 years in the establishment of your local Geraldton **Community Bank®** Branch, it is now my great pleasure to present to the shareholders my report for the 2009 financial period.

The Geraldton **Community Bank®** Branch project was initiated in 2006 and it was with great pride that the doors were officially opened for our first day of trade on 22 June 2009.

The Directors of the Steering Committee are to be congratulated on their efforts, and the staff thanks them for their support, encouragement, and enthusiasm since the branch opened its doors.

The staff have thoroughly enjoyed their early experiences with the Bendigo and Adelaide Bank customer service model, and Bev, Mandy, Arnika and Maddi have all been tremendous support to me since we opened the branch. Feedback from our customers has been very positive, and this demonstrates what some simple, old fashioned service and caring for customers can achieve.

While it is too early to make brash predictions about our achievements, no doubt you would have seen in the Geraldton Guardian that we have reached significant milestones on a regular basis since we opened. What I can say is that I am very confident of surpassing even the most optimistic modified forecast disclosed in the Prospectus; hopefully well within the first 12 months.

We are currently planning our ongoing marketing strategies, to align with the original business plan and to ensure we are making the most of every opportunity to grow our business, to reach new market segments, and ultimately to be as successful as we can. We know we have a point of difference in the market place with our customer service model, and will strive to establish a standard of excellence in all we do.

The Geraldton **Community Bank®** Branch objectives remain as originally communicated – to build a sustainable banking business that services all segments of the market and seeks to engage with all parts of the Midwest community. We intend to use the Bendigo and Adelaide Bank brand to leverage local investment in partnership with Local, State or Federal Government funding.

At the Geraldton **Community Bank®** Branch we are committed to working in partnership with our shareholders and the local community. Ultimately the success of your branch is in all of our hands and the growth of your investment, and benefits to the community, will depend on a combined effort to have shareholders, business and individuals supporting the branch by way of accounts, loans, insurance and investments (to name just a few of the products and services available to everyone).

I commend the shareholders on your support to date, and encourage you to recommend your branch to relatives and friends – all of your staff would be only too pleased to call on anyone no matter where they reside or whatever their banking service need.



Jody Beven
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

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

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

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

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

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

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

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

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



Russell Jenkins
Chief General Manager

Directors' report

For year ending 30 June 2009

Your Directors submit their report of the Company for the financial year ended 30 June 2009.

Directors

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

Robert William Jefferies

Chairman

Age: 54

Occupation: Consultant

Paul James Adam

Treasurer

Age: 50

Occupation: Accountant

Gemma Chryseida Moore

Secretary

Age: 29

Occupation: Communications Co-ordinator

Gary Bruce Clark

Director

Age: 63

Occupation: Manager

Wayne John Clarkson

Director

Age: 50

Occupation: Insurance Broker/AFSL Holder

Martin Theodore De Haas

Director

Age: 57

Occupation: Lawyer

Robert Francis Houwen

Director

Age: 50

Occupation: Motor Vehicle Dealership Owner

Harold McCashney

Director

Age: 75

Occupation: Retired Farmer

Paul Lawrence McKenzie

Director

Age: 42

Occupation: Agronomist

Karen Julie Godfrey

Director (Appointed 4 May 2009)

Age: 40

Occupation: Administrator

Directors were in office since the registration date of 31 July 2008 unless otherwise stated.

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

Company Secretary

The Company Secretary is Gemma Chryseida Moore. Gemma was appointed to the position of Secretary upon Incorporation on 31 July 2008. Gemma holds a Bachelor of Arts (History & Media Studies) and has highly developed communication and organisation skills.

Principal activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo & Adelaide 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 2009
\$
(64,200)

Dividends

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 18 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

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

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

Directors' report continued

Remuneration report

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

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

Directors' Meetings

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

	Number of Board meetings	
	eligible to attend	Number attended
Robert William Jefferies	15	14
Paul James Adam	15	15
Gemma Chryseida Rafferty	15	14
Gary Bruce Clark	15	9
Wayne John Clarkson	15	14
Martin Theodore De Haas	15	12
Robert Francis Houwen	15	15
Harold McCashney	15	14
Paul Lawrence McKenzie	15	6
Karen Julie Godfrey (Appointed 4 May 2009)	2	2

Non Audit services

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' report continued

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors at Geraldton, Western Australia on 29 September 2009.



Robert William Jefferies

Chairman



Paul James Adam

Treasurer

Signed on 29 September 2009.

Directors' report continued



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

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

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

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

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 29th day of September 2009

Financial statements

Income statement For year ending 30 June 2009

	Note	2009 \$
Revenues from ordinary activities	3	15,931
Salaries and employee benefits expense		(62,762)
Charitable donations, sponsorship, advertising & promotion		(8,617)
Occupancy and associated costs		(4,746)
Depreciation and amortisation expense	4	(3,232)
General administration expenses		(55,175)
Loss before income tax credit		(118,601)
Income tax credit	5	54,401
Loss for the period		(64,200)
Loss attributable to members of the entity		(64,200)
Earnings per share (cents per share)		c
- basic for profit for the year	19	(4.6)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

	Note	2009 \$
Assets		
Current assets		
Cash assets	6	902,528
Trade and other receivables	7	28,012
Total current assets		930,540
Non-current assets		
Property, plant and equipment	8	327,396
Intangible assets	9	108,166
Deferred tax assets	10	54,401
Total non-current assets		489,963
Total assets		1,420,503
Liabilities		
Current liabilities		
Trade and other payables	11	94,343
Financial liabilities	12	8,140
Provisions	13	4,309
Total current liabilities		106,792
Non-current liabilities		
Financial liabilities	12	19,060
Provisions	13	449
Total non-current liabilities		19,509
Total liabilities		126,301
Net assets		1,294,202
Equity		
Issued capital	14	1,358,402
Accumulated losses	15	(64,200)
Total equity		1,294,202

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	Note	2009 \$
Total equity at the beginning of the period		-
Net loss for the period		(64,200)
Net income/expense recognised directly in equity		-
Total income and expense recognised by the entity for the year		(64,200)
Dividends provided for or paid		-
Shares issued during period		1,400,009
Costs of issuing shares		(41,607)
Total equity at the end of the period		1,294,202

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$
Cash flows from operating activities		
Receipts from customers		2,395
Payments to suppliers and employees		-109,337
Interest received		9,121
Interest paid		-448
Net cash used in operating activities	16	-98,269
Cash flows from investing activities		
Payments for property, plant and equipment		-274,805
Payments for intangible assets		-110,000
Net cash used in investing activities		-384,805
Cash flows from financing activities		
Proceeds from issues of equity securities		1,400,009
Payment for share issue costs		-41,607
Proceeds from borrowings		28,000
Repayment of borrowings		-800
Net cash provided by financing activities		1,385,602
Net increase in cash held		902,528
Cash at the beginning of the financial year		-
Cash at the end of the half-year	6(a)	902,528

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

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

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

Income tax

(a) 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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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).

(b) 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.

(c) 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

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

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

Intangibles

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Cash

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

Comparative figures

The Company was incorporated on 4 October 2008 therefore there were no operations during the year ending 30 June 2008.

Property, plant and equipment

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

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

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

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

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Trade receivables and payables

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

Borrowings

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

Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Contributed equity

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Earnings per share

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

Note 2. Financial risk management

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

Risk management is carried out directly by the Board of Directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo & 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 & 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.

Notes to the financial statements continued

Note 2. Financial risk management (continued)

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

2009
\$

Note 3. Revenue from ordinary activities

Operating activities:

- services commissions	2,967
- other revenue	2,395
Total revenue from operating activities	5,362

Non-operating activities:

- interest received	10,569
Total revenue from non-operating activities	10,569
Total revenues from ordinary activities	15,931

Notes to the financial statements continued

	2009 \$
Note 4. Expenses	
Depreciation of non-current assets:	
- plant and equipment	1,041
- leasehold improvements	357
Amortisation of non-current assets:	
- franchise agreement	167
- start up fees	1,667
	3,232
Finance costs:	
- interest paid	448

Note 5. Income tax expense

The components of tax expense comprise:

- Current tax	-
- Deferred tax	(3,698)
- Recoup of prior year tax loss	-
- Future income tax benefit attributable to losses	(50,703)
	(54,401)

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

Operating profit	(118,601)
Prima facie tax on profit from ordinary activities at 30%	(35,580)
Add tax effect of:	
- non-deductible expenses	550
- timing difference expenses	3,698
- investment deduction	(2,496)
- blackhole expenses	(16,875)
Current tax	(50,703)
Movement in deferred tax	10. (3,698)
	(54,401)

Notes to the financial statements continued

2009
\$

Note 6. Cash assets

Cash at bank and on hand	165,120
Investment account	737,408
	902,528

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	165,120
Investment account	737,408
	902,528

Note 7. Trade and other receivables

Trade receivables	26,564
Accrued income	1,448
	28,012

Note 8. Property, plant and equipment

Plant and equipment

At cost	45,600
Less accumulated depreciation	(873)
	44,727

Leasehold improvements

At cost	252,539
Less accumulated depreciation	(357)
	252,182

Motor vehicle

At cost	30,655
Less accumulated depreciation	(168)
	30,487

Total written down amount	327,396
----------------------------------	----------------

Notes to the financial statements continued

	2009 \$
Note 8. Property, plant and equipment (continued)	
Movements in carrying amounts:	
Plant and equipment	
Carrying amount at beginning	-
Additions	45,600
Disposals	-
Less: depreciation expense	(873)
Carrying amount at end	44,727
Leasehold improvements	
Carrying amount at beginning	-
Additions	252,539
Disposals	-
Less: depreciation expense	(357)
Carrying amount at end	252,182
Motor vehicle	
Carrying amount at beginning	-
Additions	30,655
Disposals	-
Less: depreciation expense	(168)
Carrying amount at end	30,487
Total written down amount	327,396

Note 9. Intangible assets

Franchise fee

At cost	10,000
Less: accumulated amortisation	(167)

Franchise renewal fee

At cost	100,000
Less: accumulated amortisation	(1,667)
	108,166

Notes to the financial statements continued

	2009
	\$

Note 10. Deferred tax

Deferred tax asset

- Opening balance	-
Future income tax benefits attributable to losses	50,703
Deferred tax on provisions	3,698
- Closing balance	54,401

Note 11. Trade and other payables

Trade creditors	38,154
Other creditors & accruals	56,189
	94,343

Note 12. Borrowings

Current:

Chattel mortgage	8,140
------------------	-------

Non-current:

Chattel mortgage	19,060
------------------	--------

The Chattel Mortgage is repayable monthly with the final instalment due on June 2011. Interest is recognised at an average rate of 6.2%.

Note 13. Provisions

Current:

Provision for annual leave	4,309
----------------------------	-------

Non-current:

Provision for long service leave	449
Number of employees at year end	5

Notes to the financial statements continued

	2009 \$
Note 14. Contributed equity	
1,400,009 Ordinary shares fully paid	1,400,009
Less: equity raising expenses	(41,607)
	1,358,402

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

Generally, dividends are payable to shareholder s 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 contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

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

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

Prohibited shareholding interest

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

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

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

Notes to the financial statements continued

Note 14. Contributed equity (continued)

- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the “base number test”). The base number is 223. As at the date of this report, the Company had 248 shareholders.

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

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

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a shareholder 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, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

2009
\$

Note 15. Accumulated losses

Balance at the beginning of the financial year	-
Net loss from ordinary activities after income tax	(64,200)
Dividends Paid	-
Balance at the end of the financial year	(64,200)

Notes to the financial statements continued

2009
\$

Note 16. Statement of cashflows

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

Loss from ordinary activities after income tax	(64,200)
Non cash items:	
- depreciation	1,398
- amortisation	1,834
Changes in assets and liabilities:	
- increase in receivables	(28,012)
- increase in other assets	(54,401)
- increase in payables	40,354
- increase in provisions	4,758
Net cashflows used in operating activities	(98,269)

Note 17. Auditors' remuneration

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

- audit & review services	2,200
- non audit services	3,000
	5,200

Notes to the financial statements continued

Note 18. Director and related party disclosures

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

Robert William Jefferies

Paul James Adam

Gemma Chryseida Rafferty

Gary Bruce Clark

Wayne John Clarkson

Martin Theodore De Haas

Robert Francis Houwen

Harold McCashney

Paul Lawrence McKenzie

Karen Julie Godfrey (Appointed 4 May 2009)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2009 \$
Transactions with related parties:	
Paul Adam, in the capacity of Principal of Adam Hunter Pty Ltd, supplied share registry services to the value of	1,100
Gemma Moore, as proprietor of Shout, supplied administration to the Company during the period of the incorporation and fund raising to the value of	6,600
Robert Houwen, as proprietor of Geraldton Toyota, sold the Company a motor vehicle for the use of the Branch Manager, the purchase value was	33,540
Robert Houwen, is the landlord of the branch premises at 79 Forest Street, the amount of rent and associated outgoing was	4,500

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

Notes to the financial statements continued

2009
\$

Note 18. Director and related party disclosures (continued)

Directors' shareholdings

Robert William Jefferies	12,001
Paul James Adam	10,151
Gemma Chryseida Rafferty	201
Gary Bruce Clark	7,001
Wayne John Clarkson	28,001
Martin Theodore De Haas	8,001
Robert Francis Houwen	50,001
Harold McCashney	30,001
Paul Lawrence McKenzie	13,001
Karen Julie Godfrey (Appointed 4 May 2009)	500

Note 19. 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 20. Earnings per share

(a) Loss attributable to the ordinary equity holders
of the Company used in calculating earnings per share (64,200)

Number

(b) Weighted average number of ordinary shares used
as the denominator in calculating basic earnings per share 1,400,009

Note 21. Events occurring after the balance sheet date

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

Note 22. Contingent liabilities

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

Notes to the financial statements continued

Note 23. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo & Adelaide Bank Limited. The economic entity operates in one geographic area being Geraldton in Western Australia.

Note 24. Registered office/Principal place of business

The registered office and principal place of business is:

The registered office is: Unit 1/31-33 Hosken Street
Bluff Point, WA 6530

The principal place of business is: 79 Forrest Street
Geraldton, WA 6530

Note 25. Financial Instruments

Net fair values

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

Credit risk

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

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

Interest rate risk

		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
	2009 \$	2009 \$	2009 \$	2009 \$	2009 \$	2009 %
Financial assets						
Cash assets	165,120	-	-	-	-	0.025
Investment account	737,408	-	-	-	-	2.25
Receivables	-	-	-	-	28,012	N/A
Financial liabilities						
Payables	-	-	-	-	94,343	N/A
Interest bearing liabilities	-	8,140	19,060	-	-	6.2

Directors' declaration

In accordance with a resolution of the Directors of Midwest Community Enterprises Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



Robert William Jefferies

Chairman



Paul James Adam

Treasurer

Signed at on 29 September 2009.

Independent audit report



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Midwest Community Enterprises Limited

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit 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 on the Financial Report

In our opinion:

- 1) The financial report of Midwest Community Enterprises Limited is in accordance with the Corporations Act 2001 including
 - (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;
- 2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Midwest Community Enterprises Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.



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

Dated this 29th day of September 2009

Geraldton **Community Bank**[®] Branch
79 Forrest Street, Geraldton, WA 6530
Phone: (08) 9921 2335 Fax: (08) 9921 3940

Franchisee: Midwest Community Enterprises Limited
Unit 1, 31-33 Hosken Street, Bluff Point, WA 6530
Phone: (08) 9964 7923
ABN: 90 132 512 460

www.bendigobank.com.au/geraldton
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (KKWAR9015) (10/09)

