annual report | 2009

Mount Gambier & District
Financial Services Limited
ABN 42 096 059 997

Mount Gambier & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2009

It is with pleasure that I report on the progress of the Mount Gambier & District Financial Services Limited, our **Community Bank®** branch, over the last financial year. The Board and staff have maintained their focus on achieving strong growth to the business and the total portfolio with excellent results. Our **Community Bank®** branch is now not only in a position to continue to support local clubs, charities and Community organisations in an increasingly substantial way, but also to provide a commercial dividend to our shareholders.

Operating results

The Mount Gambier & District Financial Services Limited achieved a pre-tax profit for the 2008/2009 financial year of $196,412. Keeping in mind that in the 2007/2008 financial year our net pre-tax profit was $11,185 and in 2006/2007 $2,335 this is an excellent result.

For accounting purposes it is appropriate to add the accumulated tax credit of $101,588 which will be carried forward and will benefit Mount Gambier & District Financial Services Limited in future years. Our total business grew from $56.6 million to $88.724 million, well above our budget target and our gross income for the financial year increased from $500,535 to $673,759.

During the reporting year we have reduced our bank overdraft liability from $201,377 to $26,411 and as at 31 August 2009 the cheque account was in credit by $5,881.

Earlier this year in March, we opened our first Branch Agency through TDC, Stock Agents in Penola. The costs involved were minor and have been augmented by Bendigo and Adelaide Bank Ltd agreeing to install an automatic teller machine (ATM) without expense to us. We look forward to achieving sufficient growth to not only cover the modest investment involved but also provide a significant and worthwhile dividend to the Penola Community.

We are pleased to announce that for the first two months of the 2009/2010 year we have continued to achieve good profits and at the end of August 2009 we were ahead of budget.

Dividend payments

The Board recognises the patience shown by shareholders in waiting for a reasonable return on their investment. Based on the results to date the Board is of the view that Mount Gambier & District Financial Services Limited is now on a financially sound footing and in a position to increase the dividend to shareholders to reflect our overall position to the full extent permitted under the Franchise Agreement.

Director's contribution

I thank the Directors for their efforts over the past 12 months and welcome the addition of Rodney Summers, David Swiggs, Karen Olive and Kathryn Drummond to the Board.

Chairman's report continued

Since the last Annual General Meeting the Board has continued to expand in number, depth and experience and I believe that we are well placed to discharge our expanding responsibilities as our **Community Bank®** branch continues to grow.

Engaging with the community

We look forward to our **Community Bank®** branch continuing to steadily increase the tangible benefits to the community. To date we have provided more than $94,000 in sponsorship and we are now in a position to not only increase our sponsorship to community organisations but also to commence the process of providing grants which will benefit the wider community.

Acknowledging our staff

The Mount Gambier & District **Community Bank®** Branch continues to be served by excellent staff under the leadership of Tracy Koop who has remained as our Branch Manager, enabling the staff to grow to their full potential as reflected by the excellent results this year. The contribution that Tracy and our cheerful and friendly staff have made to the results on which it is my pleasure to report, cannot be understated. Well Done!

Conclusion

The runs are on the board and the years of dedication are now beginning to pay off.

Herman Bersee
Chairman

Manager's report

For year ending 30 June 2009

Another year has quickly passed and it is time to provide an update on Mt Gambier & District **Community Bank®** Branch for 2008/2009.

The past year has seen many changes within our office, with Kerry Lawson moving to Queensland and Julia Beare moving to Bordertown. Although both girls are greatly missed, we have been lucky enough to welcome Jo Gillespie and Alisha Williams into our team. Alisha has previously worked at the Robe Community Branch and Jo has an extensive banking and insurance background. Michelle Wallace rounds out our team as our capable Lender, helping clients with any lending enquiries they may have.

Later this year we will be welcoming two little juniors. Michelle Baker is currently on maternity leave and Marissa Altorf-Hawke will be taking her maternity leave in December. Both girls are due back in March. We wish them both all the best with motherhood.

Our Business Banking team of Neville Johns and Wendy Stevens are invaluable to the growth of our business. They have been kept very busy, not only supporting the **Community Bank®** branch, but also assisting various agencies and branches throughout the state.

This year also saw the opening of our Agency at Penola, set up in the TDC Real Estate offices. The helpful staff at TDC Penola can perform all of your banking transactions.

Our main focus for the year has been to deliver excellent products with excellent service. By working as a team, the branch and business banking have achieved a growth in our portfolio of $28.9 million, finishing the year at $85.59 million. We have consistently made our monthly budget and finished the year with a substantial profit.

This has enabled us to be able to contribute back into the community at a greater level. Our ongoing sponsorships with the A&H Society, Stand like Stone, Western Border Football League and the Arts Society show our commitment to the broad interests in our local area. We are also pleased to announce our major sponsorship of the Variety Club Golf Day which includes sponsoring a Variety bus at a local school to assist with the transport of families and children in need.

Looking to the future, our aim is to strive to achieve a level of banking unsurpassed in Mt Gambier. Our excellent customer service is evident, together with a full compliment of products in banking, insurance and financial planning. I would urge all shareholders, families and friends to bank with our **Community Bank®** branch and help us grow.

Please remember, we need your support so that we can continue to support our community.

Thank you to all shareholders who hold accounts with us at present, and my staff and I look forward to meeting those that will be opening new accounts and helping us to expand in the future.

Tracy Koop
Branch 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 are:

Mr. Herman Augustinus Bersee LLB
Chairman
Board Member since 28/02/2001

Mrs. Karen Lee Olive
Board Member since 29/04/2009

Mr. Edgar Malcolm Peucker
Board Member since 25/08/2004

Mr. Francis David Kaiser
Board Member since 19/11/2008

Ms. Kathryn Elizabeth Drummond
Board Member since 17/06/2009

Ms. Pauline Grieve
Secretary
Board Member since 21/02/2007

Mr. Robert James Foggo BA, ASSOC. DIP. SW
Board Member since 28/02/2001

Mr. Hendrik Jan Bruins FCA, DIP. Bus. Studies
Board Member since 22/02/2006

Mr Rodney George Summers
Board Member since 07/01/2009

Mr. David Andrew Swiggs
Board Member since 07/01/2009

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

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

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 2009: $198,069 - 2008: $11,185.

	Year ended 30 June 2009	
Dividends	**Cents per share**	**$'000**
Final dividends recommended:	0	0
Dividends paid in the year:		
- Interim for the year	2	0
- As recommended in the prior year report	0	0

Directors' report continued

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.

Significant events after the balance date

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 providing banking services to the community.

Directors' benefits

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

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers 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

Directors' meetings

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

Number of meetings held:	**13**
Number of meetings attended:	
Mr. Herman Augustinus Bersee	11
Ms. Pauline Grieve	12
Mr. Hendrik Jan Bruins	13
Mr. Robert James Foggo	8
Mr. Edgar Malcolm Peucker	10
Ms. Kathryn Elizabeth Drummond	1
Mr. Francis David Kaiser	3
Mrs. Karen Lee Olive	1
Mr. Rodney George Summers	10
Mr. David Andrew Swiggs	4

Company Secretary

Ms. Pauline Grieve has been the Company Secretary of Mount Gambier & District Financial Services Ltd for the full year.

Corporate governance

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

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 30.

Signed in accordance with a resolution of the Board of Directors at Mount Gambier on 23 September 2009.

Herman Bersee

Director

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenues from ordinary activities	2	673,759	500,535
Employee benefits expense	3	(198,353)	(184,534)
Charitable donations and sponsorship		(22,259)	(15,809)
Depreciation and amortisation expense	3	(19,749)	(20,776)
Finance costs	3	(15,094)	(23,467)
Other expenses from ordinary activities		(221,892)	(244,764)
Profit/(loss) before income tax expense		**196,412**	**11,185**
Income tax expense	4	(101,588)	-
Profit/(loss) after income tax expense		**298,000**	**11,185**

Earnings per share (cents per share)		**¢**	**¢**
- basic for profit / (loss) for the year	22	63.21	2.37
- diluted for profit / (loss) for the year	22	63.21	2.37
- dividends paid per share	21	2.00	-

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash assets	6	200	200
Receivables	7	85,547	53,731
Other		12,566	684
Total current assets		**98,313**	**54,615**
Non-current assets			
Property, plant and equipment	8	45,845	55,593
Deferred income tax asset	4	101,588	-
Intangible assets	9	8,118	12,664
Total non-current assets		**155,551**	**68,257**
Total assets		**253,864**	**122,872**
Current liabilities			
Payables	10	50,598	31,503
Interest bearing liabilities	11	26,611	201,577
Current tax payable	4	-	-
Provisions	12	9,507	11,431
Total current liabilities		**86,716**	**244,511**
Non-current liabilities			
Interest bearing liabilities	11	-	-
Total non-current liabilities		**-**	**-**
Total liabilities		**86,716**	**244,511**
Net assets/(liabilities)		**167,148**	**(121,639)**
Equity			
Share capital	13	471,458	471,458
Retained earnings / (accumulated losses)	14	(304,310)	(593,097)
Total equity		**167,148**	**(121,639)**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash receipts in the course of operations		713,085	581,385
Cash payments in the course of operations		(508,357)	(533,261)
Interest paid		(15,094)	(23,467)
Interest received		-	-
Income tax paid		-	-
Net cash flows from/(used in) operating activities	**15b**	**189,634**	**24,657**
Cash flows from investing activities			
Payment for intangible assets		(5,455)	(5,454)
Payments for property, plant and equipment		-	(5,030)
Net cash flows from/(used in) investing activities		**(5,455)**	**(10,484)**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Finance lease payments		-	-
Dividends paid		(9,213)	(808)
Net cash flows from/(used in) financing activities		**(9,213)**	**(808)**
Net increase/(decrease) in cash held		**174,966**	**13,365**
Add opening cash brought forward		(201,377)	(214,742)
Closing cash carried forward	**15a**	**(26,411)**	**(201,377)**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Share capital			
Ordinary shares			
Balance at start of year		471,458	471,458
Issue of share capital		-	-
share issue costs		-	-
Balance at end of year		**471,458**	**471,458**
Retained earnings			
Balance at start of year		(593,097)	(604,282)
Profit/(loss) after income tax expense		298,000	11,185
Dividends paid		(9,213)	-
Balance at end of year		**(304,310)**	**(593,097)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 23 September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (‘AIFRS’). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (‘IFRS’). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2008 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.5%
Plant & equipment	10 - 20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 cash flow statement 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 operating cash flows.

Employee benefits

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

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

Provisions

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

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

Contributed capital

Issued and paid up capital is 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

	2009 $	2008 $

Note 2. Revenue from ordinary activities

	2009 $	2008 $
Operating activities		
- services commissions	673,759	500,535
- other revenue	-	-
Total revenue from operating activities	**673,759**	**500,535**
Non-operating activities:		
- interest received	-	-
- other revenue	-	-
Total revenue from non-operating activities	**-**	**-**
Total revenue from ordinary activities	**673,759**	**500,535**

Note 3. Expenses

	2009 $	2008 $
Employee benefits expense		
- wages and salaries	(177,242)	(163,984)
- superannuation costs	(17,240)	(18,767)
- post-employment benefits (other than superannuation)	(97)	(1,351)
- workers' compensation costs	(951)	(23)
- other costs	(2,823)	(409)
	(198,353)	**(184,534)**
Depreciation of non-current assets:		
- plant and equipment	(9,749)	(10,776)
- buildings	-	-
Amortisation of non-current assets:		
- intangibles	(10,000)	(10,000)
	(19,749)	**(20,776)**
Finance costs:		
- Interest paid	(15,094)	(23,467)
Bad debts	(1,153)	(628)

Notes to the financial statements continued

	2009 $	2008 $

Note 4. Income tax expense

	2009 $	2008 $
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	58,923	2,265
Add tax effect of:		
- Non-deductible expenses	1,417	-
- Prior year tax losses not previously brought to account	(161,928)	(2,265)
- Future income tax benefit not brought to account	-	-
Current income tax expense	**(101,588)**	**-**
Origination and reversal of temporary differences	-	-
Deferred income tax expense	**-**	**-**
Income tax expense/(benefit)	**(101,588)**	**-**
Tax liabilities		
Current tax payable	**-**	**-**
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**101,588**	**-**

Note 5. Auditors' remuneration

	2009 $	2008 $
Amounts received or due and receivable by Galpin, Engler Bruins & Dempsey for:		
- Audit or review of the financial report of the Company	2,675	3,480
- Other services in relation to the Company	8,250	7,775
	10,925	**11,255**

Note 6. Cash assets

	2009 $	2008 $
Cash at bank and on hand	**200**	**200**

Notes to the financial statements continued

	2009 $	2008 $
Note 7. Receivables		
GST receivable	8,775	6,653
Trade debtors	76,772	47,078
Other	-	-
	85,547	**53,731**

Note 8. Property, plant and equipment

	2009 $	2008 $
Plant and equipment		
At cost	148,424	148,423
Less accumulated depreciation	(102,579)	(92,830)
	45,845	**55,593**
Total written down amount	**45,845**	**55,593**
Movements in carrying amounts		
Building		
Carrying amount at beginning of year	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Carrying amount at end of year	**-**	**-**
Plant and equipment		
Carrying amount at beginning of year	55,593	61,339
Additions	-	5,030
Disposals	-	-
Depreciation expense	(9,749)	(10,776)
Carrying amount at end of year	**45,844**	**55,593**

Notes to the financial statements continued

	2009 $	2008 $

Note 9. Intangible assets

	2009 $	2008 $
Franchise fee		
At cost	33,636	28,182
Less accumulated amortisation	(25,518)	(15,518)
	8,118	**12,664**

Note 10. Payables

	2009 $	2008 $
Trade creditors	20,096	7,453
Other creditors and accruals	30,502	24,050
	50,598	**31,503**

Note 11. Interest bearing liabilities

	2009 $	2008 $
Bank overdraft	26,611	201,577
Bank loan - secured	-	-
	26,611	**201,577**

Note 12. Provisions

	2009 $	2008 $
Unpaid declared dividend	70	70
Employee benefits	9,437	11,361
	9,507	**11,431**
Number of employees at year end	**5**	**5**

Note 13. Share capital

	2009 $	2008 $
471,458 Ordinary shares fully paid of $1 each	**471,458**	**471,458**

	2009 $	2008 $

Note 14. Retained earnings / (accumulated losses)

	2009 $	2008 $
Balance at the beginning of the financial year	(593,097)	(604,282)
Profit/(loss) after income tax	298,000	11,185
Dividends	(9,213)	-
Balance at the end of the financial year	**(304,310)**	**(593,097)**

Note 15. Cash flow statement

(a) Reconciliation of cash

	2009 $	2008 $
Cash assets	200	200
Bank overdraft	(26,611)	(201,577)
	(26,411)	**(201,377)**

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

	2009 $	2008 $
Profit / (loss) after income tax	298,000	11,185
Non cash items		
- Depreciation	9,749	10,776
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(31,816)	447
- Increase (decrease) in payables	19,094	(16,409)
- Increase (decrease) in provisions	(115,393)	8,658
Net cash flows from/(used in) operating activities	**189,634**	**24,657**

Note 16. Director and related party disclosures

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

Mr. Herman Augustinus Bersee	Mr. Rodney Summers
Ms. Pauline Grieve	Mr. David Swiggs
Mr. Hendrik Jan Bruins	Ms. Kathryn Drummond
Mr. Robert James Foggo	Mr. Francis Kaiser
Mr. Edgar Malcolm Peucker	Mrs Karen Olive

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

Directors' shareholdings	**2009**	**2008**
Mr. Herman Augustinus Bersee	10,001	10,001
Ms. Pauline Grieve	-	-
Mr. Hendrik Jan Bruins	-	-
Mr. Robert James Foggo	200	200
Mr. Edgar Malcolm Peucker	2,000	2,000
Mr. Rodney Summers	-	-
Mr. David Swiggs	-	-
Ms. Kathryn Drummond	-	-
Mr. Francis Kaiser	3,701	-
Mrs Karen Olive	-	-

There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Mount Gambier and District, South Australia.

Note 20. Corporate information

Mount Gambier And District Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:
58 Commercial St East,
Mount Gambier SA 5290

	2009 $	2008 $

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2008: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2008: nil cents per share)	-	-
(ii) Previous year final		
Unfranked dividends - 2 cents per share (2008: nil cents per share)	9,429	-
(c) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2008: nil cents per share)	-	-

Notes to the financial statements continued

	2009 $	2008 $

Note 21. Dividends paid or provided for on ordinary shares (continued)

(d) Franking credit balance

The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	-	-
Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	-	**-**

	2009 ¢	2008 ¢

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.	63.21	2.37
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).	63.21	2.37

	2009 $	2008 $
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	**298,000**	**11,185**
Weighted average number of ordinary shares for basic and diluted earnings per share	**471,458**	**471,458**

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2009	**2008**
	$	**$**
Cash assets	200	200
Receivables	85,547	53,731
	85,747	**53,931**

The Company's exposure to credit risk is limited to Australia by geographic area. The majority balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2008: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company has an established overdraft facility of $230,000 with Bendigo and Adelaide Bank Ltd.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2009					
Payables	50,598	(50,598)	(50,598)	–	–
Interest bearing liabilities	26,611	–	–	–	–
	77,209	**(50,598)**	**(50,598)**	**–**	**–**
30 June 2008					
Payables	31,503	(31,503)	(31,503)	–	–
Interest bearing liabilities	201,577	–	–	–	–
	233,080	**(31,503)**	**(31,503)**	**–**	**–**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2009 $	2008 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(26,611)	(201,577)
	(26,611)	**(201,577)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2008 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) 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 year end.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) 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 2009 can be seen in the Income Statement.

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

Directors' declaration

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 their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;

(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; and

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

Herman Bersee
Director

Signed at Mount Gambier on 23 September 2009.

Independent audit report

MOUNT GAMBIER & DISTRICT & FINANCIAL SERVICES LIMITED

ABN 42 096 059 997

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF

MOUNT GAMBIER & DISTRICT & FINANCIAL SERVICES LIMITED

Scope

We have audited the financial report of Mount Gambier & District Financial Services Limited for the financial year ended 30 June 2009. The company's directors are responsible for the preparation and presentation of the reports and the information they contain. We have conducted an independent audit of these accounts in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view of the company which is consistent with our understanding of the company's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of Mount Gambier & District Financial Services Limited are in accordance with:

(a) The Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30th June 2009, and of their performance for the year ended on that date;
- (ii) complying with Accounting Standards and the Corporations Regulations ; and

(b) other mandatory professional reporting requirements.

Inability to Fund Operations From Revenues.

Without qualification to the opinion expressed above, attention is drawn to the following matter. Mount Gambier & District Financial Services Ltd. (The Company) is reliant on Bendigo Bank Ltd. providing working capital by way of an overdraft facility to support "The Company's" operations. This support is limited to the 2009/2010 financial year. This support is also reliant on "The Company" adhering to the franchise agreement and the business plan as set out by Bendigo Bank Ltd.

GALPIN, ENGLER, BRUINS & DEMPSEY
Accountants, Auditors & Business Consultants

L.J. GALPIN
Partner.

Dated this 25th day of September 2009

Auditor's independence declaration

Under Section 307C of the Corporations Act 2001
to the Directors of Mount Gambier & District Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Galpin, Engler, Bruins & Dempsey
233 Commercial Street West
Mount Gambier S.A. 5290

L. J. Galpin

Signed on the 23rd day of September 2009.

Detailed income statement

For year ended 30 June 2009

	2009 $	2008 $
Income		
Commission received	673,759	500,535
Other income		
Interest received	-	-
Insurance recovery	-	-
Sundry	-	-
	673,759	**500,535**
Expenditure		
Accountancy fees	8,250	7,775
Annual leave accrual	3,730	10,646
Asic compliance costs	1,270	1,000
Advertising & promotion	8,229	5,963
Agent commission	725	0
Amortisation	10,000	10,000
Atm fees	7,992	8,602
Auditors remuneration	2,675	3,480
Bank charges	1,034	321
Bad debts written off	1,153	628
Board expenses	-	-
Borrowing costs	80	159
Cash delivery	13,191	10,627
Cash management	501	359
Cleaning & gardening	5,294	4,876
Computer expenses	36,207	35,251
Depreciation	9,692	10,776
Donations	0	0
Employee’s amenities	1,028	1,067

Detailed income statement continued

	2009 $	2008 $
Expenditure (continued)		
Fixed assets <$300	202	0
Freight & cartage	16,985	17,839
Fringe benefit tax	135	0
Hire of plant & equipment	0	68
Insurance	11,811	11,776
Interest paid	15,094	23,467
Legal costs	73	341
Light & power	4,882	4,690
Long service leave provision	374	0
Marketing	1,063	2,824
Other employer expenses	2,823	409
Outsourcing costs	0	41
Payroll services	635	786
Payroll tax	1,955	3,367
Postage	1,640	1,722
Printing & stationary	10,222	10,113
Procedural errors	(483)	(268)
Rates & taxes	1,189	1,004
Rent	27,830	26,954
Repairs & maintenance	428	873
Salaries & wages	206,422	206,938
Search fees	1,832	1,549
Security costs	379	1,182
Share registry	784	973
Sponsorship	22,259	15,590
Staff recruitment & training	6,600	6,600
Staff uniforms	2,305	2,491
Subscriptions	0	127
Sundry expenses	902	552

Detailed income statement continued

	2009 $	2008 $
Expenditure (continued)		
Superannuation contributions	17,240	18,767
Telephone	7,315	8,160
Travelling expenses	2,450	7,510
Workcover	951	1,375
	477,347	**489,350**
Net profit / (loss)	**196,412**	**11,185**

Mount Gambier & District **Community Bank**® Branch
58 Commercial Street East, Mount Gambier SA 5290
Phone: (08) 8723 3477

Franchisee: Mount Gambier & District Financial Services Limited
58 Commercial Street East, Mount Gambier SA 5290
Phone: (08) 8723 3477
ABN: 42 096 059 997

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR9002) (06/09)

This Annual Report has been printed on 100% Recycled Paper

Bendigo Bank