Murrimboola Financial Services Limited

ABN 12 118 357 467

# 2008 annualreport

# Contents

# Chairman's report

## For year ending 30 June 2008

It is a pleasure to present to shareholders the Annual Report for 2007/2008, the first full financial trading year of the Harden Murrumburrah **Community Bank®** Branch.

"Our bank branch" continues to gather support in the community despite the ongoing drought and other local economic factors that were forecast to impact on our business volumes. Your Board continues to work hard to build a foundation that contributes to the long-term success of the business and its contributions to the larger community. I take this opportunity to thank the Directors for their efforts throughout the year.

On the strength of the customer support we have received thus far, we are fortunate to be in the position to begin making contributions back to the community. We have put significant funding towards the purchase of an oxygen concentrator for our local branch of CanAssist. This equipment will allow cancer sufferers to undertake some of their treatment in the comfort of their own home, We have also sponsored the major prize of the Harden Murrumburrah Camera Club's inaugural photographic exhibition. These contributions are small but they are significant as we have only been operating for 12 months. They represent the beginning of what will become more and bigger contributions to the community. As they say, from small beginnings, big things grow.

I would like to thank Ralph and all the staff for their efforts over the past year. The friendly and professional manner in which they operate the day-to-day business makes our job as a Board an easy one to execute. The reason we have secured the amount of business we have, and increasingly become a mainstay in the community, is due in part to their smiling faces behind the counter.

The next 12 months sees a focus on increasing and consolidating the growth and customer support we have gathered to date. It is only through more customers banking with our operation that our **Community Bank®** branch can grow its business and help this great community become more vibrant and prosperous in the future, a thought that deserves consideration when next one is thinking about where to turn to for financial services. Does it help me? In turn, does it help my community?

**Brenden McKay**
**Chairman**

# Manager’s report

## For year ending 30 June 2008

June 2008 ended the first full financial trading year of the Harden Murrumburrah **Community Bank®** Branch.

Our business volumes to 30 June 2008 stood at just under $13 million with 840 accounts operating. The ongoing drought and other local economic factors have impacted greatly on the results achieved for the first full financial year.

Present indications are, however, that we should continue to grow strongly over the coming year.

At the end of the 2008 financial year, about 40 per cent of our shareholders had a banking relationship with us. Next year we would like to increase the number of shareholders banking with us to 60 per cent.

There are a number of challenges ahead both in terms of business growth and accounts per customer. But we have set a business volume target by end of the financial year 2008/2009 of $23 million and 2.4 accounts per customer.

The past year has seen some staff changes due to changed personal circumstances. Katy and Lyn have left us and a new staff member Sarah Jones joined us in April. I would like to personally thank Janelle, Gale and Sarah for their help and ongoing support.

The assistance and support provided by our Board is also greatly appreciated. The ongoing support of Board members to our **Community Bank®** branch is a critical element of success.

Many thanks to the many people who have chosen to conduct some or all of their banking with the Harden Murrumburrah **Community Bank®** Branch. I encourage you to tell all about the great service provided at our branch.

**Ralph Hawkins**
**Branch Manager**

# Directors' report

## For year ending 30 June 2008

Your Directors submit their report of the Company for the financial year ending 30 June 2008.

**Directors**

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

**Brenden Robert McKay**
Chairman
Businessman

**Tony Campbell**
Director
Agriculture Business

**James Cusack**
Director
Stock & Station Agent

**Dr Yusufali Khalfan**
Director
Medical Practitioner

**Geoffrey Buckland**
Director
Retired

**Susan McCarthy**
Treasurer
Farm Officer Manager

**Catherine Sanderson** (resigned Feb 2008)
Company Secretary
Retired

**Andrew Kennett** (resigned Feb 2008)
Director
Agriculture Commodities Trader

**Barbara Sargent**
Director
Retired School Teacher

**Julie O'Connor** (Feb 2008)
General Secretary
Home duties

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 the Bendigo and Adelaide Bank Limited.

**Operating result**

Operations have continued to preform in the line with expectations. The profit (loss) of the Company for the financial year after income tax or future tax benefit  ($162,712).

**Dividends**

No recommendations has been made for the payment of dividends.

**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 event after the balance date**

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

**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 relating 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 for and Auditor of the Company or a related body corporate.

**Directors meetings**

The Number of Directors meeting attended by each of the Directors of the Company during the year were:

**Number of meeting held: 12**

**Number of meeting attended**

| | | | |
|---|---|---|---|
| Brenden McKay | 12 | Dr Yusufali Khalfan | 11 |
| Susan McCarthy | 12 | Barbra Sargent | 10 |
| Tony Campbell | 9 | Geoffrey Buckland | 6 |
| Catherine Sanderson (resigned) | 8 | Julie O'Connor | 4 |
| James Cusack | 4 | Andrew Kennett (resigned) | 6 |

# Directors' report continued

**Company Secretary**

Alexander James Wright was appointed Company Secretary in February 2008.

**Corporate governance**

The Company has implemented various corporate governance practices which include:

(a) The establishment of an audit committee. Members of the audit committee are: Alexander James Wright, Susan McCarthy and Brenden McKay.

(b) Director approval of operating budget and monitoring of progress against these budgets:

(c) Ongoing Director Training:

(d) Monthly Director meeting to discuss performance and strategic plans.

**Auditor independence declaration**

The Directors received the following declaration from the Auditor of the Company:

Grant L Pearce
Chartered Accountant

**Auditor's independence declaration**

In relation to our audit of the financial report of Murrimboola Financial Services Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Grant L Pearce**
**Chartered Accountant**

35 Montague St
Goulburn

25 September 2008

Signed in accordance with a resolution of the Board of Directors at Harden on 16 October 2008.

**Brenden McKay**
**Director**

**Susan McCarthy**
**Director**

# Financial statements

## Income statement
## For year ending 30 June 2008

| | Note | 2008 $ | 2007 $ |
|---|---|---|---|
| Revenues from ordinary activities | 2 | 126,856 | 26,980 |
| Employee benefits expense | 3 | (194,002) | (85,485) |
| Charitable donations and sponsorship | | - | - |
| Depreciation and amortisation expense | 3 | (40,238) | (17,227) |
| Finance costs | 3 | - | (164) |
| Other expenses from ordinary activities | | (124,972) | (166,674) |
| **Profit/(loss) before income tax expense** | | **(232,356)** | **(242,570)** |
| Income tax expense | 4 | (69,644) | (72,771) |
| **Profit/(loss) after income tax expense** | | **(162,712)** | **(169,799)** |
| | | | |
| **Earnings per share (cents per share)** | | | |
| - basic for profit / (loss) for the year | 22 | -23.65 | -24.68 |
| - diluted for profit / (loss) for the year | 22 | -23.65 | -24.68 |
| - dividends paid per share | 21 | - | - |

The accompanying notes form part of these financial statements.

# Balance sheet
## As at 30 June 2008

| | Note | 2008<br>$ | 2007<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets | 6 | 7,519 | 232,591 |
| Receivables | 7 | 21,706 | 28,637 |
| **Total current assets** | | **29,225** | **261,228** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 210,256 | 242,664 |
| Deferred income tax asset | 4 | 142,592 | 72,948 |
| Intangible assets | 9 | 27,041 | 35,231 |
| **Total non-current assets** | | **379,890** | **350,843** |
| **Total assets** | | **409,114** | **612,072** |
| **Current liabilities** | | | |
| Payables | 10 | 41,566 | 89,042 |
| Interest bearing liabilities | 11 | - | - |
| Current tax payable | 4 | - | - |
| Provisions | 12 | 12,364 | 6,282 |
| **Total current liabilities** | | **53,931** | **95,324** |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 11 | - | - |
| **Total non-current liabilities** | | **-** | **-** |
| **Total liabilities** | | **53,931** | **95,324** |
| **Net assets/(liabilities)** | | **355,183** | **516,748** |
| **Equity** | | | |
| Share capital | 13 | 688,108 | 688,108 |
| Retained earnings / (accumulated losses) | 14 | (332,925) | (170,212) |
| **Total equity** | | **355,183** | **517,896** |

The accompanying notes form part of these financial statements.

## Statement of cash flows
As at 30 June 2008

| | Note | 2008 $ | 2007 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 111,986 | 4,849 |
| Cash payments in the course of operations | | (344,766) | (176,728) |
| Interest paid | | - | (164) |
| Interest received | | 7,708 | 15,156 |
| Income tax paid | | - | - |
| **Net cash flows from/(used in) operating activities** | **15b** | **(225,072)** | **(156,887)** |
| **Cash flows from investing activities** | | | |
| Payment for intangible assets | | - | (256,796) |
| Payments for property, plant and equipment | | - | (40,951) |
| **Net cash flows from/(used in) investing activities** | | **-** | **(297,747)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | - | 688,100 |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | - | (323,600) |
| Finance lease payments | | - | - |
| Dividends paid | | - | - |
| **Net cash flows from/(used in) financing activities** | | **-** | **364,500** |
| **Net increase/(decrease) in cash held** | | **(225,072)** | **(90,134)** |
| Add opening cash brought forward | | 232,591 | 322,725 |
| **Closing cash carried forward** | **15a** | **7,519** | **232,591** |

The accompanying notes form part of these financial statements.

# Statement of changes in equity
## As at 30 June 2008

| | Note | 2008 $ | 2007 $ |
|---|---|---|---|
| **SHARE CAPITAL** | | | |
| **Ordinary shares** | | | |
| Balance at start of year | | 688,108 | 8 |
| Issue of share capital | | - | 688,100 |
| Share issue costs | | - | - |
| **Balance at end of year** | | **688,108** | **688,108** |
| **Retained earnings** | | | |
| Balance at start of year | | (170,212) | (413) |
| Profit/(loss) after income tax expense | | (162,712) | (169,799) |
| Dividends paid | | - | - |
| **Balance at end of year** | | **(332,925)** | **(170,212)** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ending 30 June 2008

## 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 29 September 2008.

**(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 2007 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.

## 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**

Establishment costs 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.

## 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.

## Note 2. Revenue from ordinary activities

| | 2008 $ | 2007 $ |
|---|---|---|
| **Operating activities** | | |
| - services commissions | 96,224 | 9,328 |
| - other revenue | 22,924 | 2,346 |
| **Total revenue from operating activities** | **119,148** | **11,674** |

# Notes to the financial statements continued

| | 2008 $ | 2007 $ |
|---|---|---|
| **Note 2. Revenue from ordinary activities (continued)** | | |
| **Non-operating activities:** | | |
| - interest received | 7,708 | 15,156 |
| - other revenue | - | 150 |
| **Total revenue from non-operating activities** | **7,708** | **15,306** |
| **Total revenue from ordinary activities** | **126,856** | **26,980** |

## Note 3. Expenses

| | 2008 $ | 2007 $ |
|---|---|---|
| **Employee benefits expense** | | |
| - wages and salaries | 172,769 | 72,948 |
| - superannuation costs | 15,151 | 6,255 |
| - other costs | 6,082 | 6,282 |
| | **194,002** | **85,485** |
| **Depreciation of non-current assets:** | | |
| - plant and equipment | 32,048 | 14,132 |
| Amortisation of non-current assets: | | |
| - intangibles | 8,190 | 3,095 |
| | **40,238** | **17,227** |
| **Finance costs:** | | |
| - Interest paid | - | 164 |
| Bad debts | - | - |

# Notes to the financial statements continued

| | 2008<br>$ | 2007<br>$ |
|---|---|---|

## Note 4. Income tax expense

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% | (69,707) | (72,771) |
| Add tax effect of: | | |
| - Non deductible expense | 63 | - |
| - Tax losses carried forward to later years | 69,644 | 72,771 |
| **Current income tax expense** | **-** | **-** |
| Origination and reversal of temporary differences | (69,644) | (72,771) |
| **Deferred income tax expense** | **(69,644)** | **(72,771)** |
| **Income tax expense** | **(69,644)** | **(72,771)** |
| **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.** | **142,592** | **72,948** |

## Note 5. Auditors' remuneration

Amounts received or due and receivable by Grant L Pearce for:

| | | |
|---|---|---|
| - Audit or review of the financial report of the Company | 4,200 | 4,000 |
| - Other services in relation to the Company | 3,500 | 3,000 |
| | **7,700** | **7,000** |

## Note 6. Cash assets

| | | |
|---|---|---|
| **Cash at bank and on hand** | **7,519** | **232,591** |

# Notes to the financial statements continued

| | 2008 $ | 2007 $ |
|---|---|---|

## Note 7. Receivables

| | | |
|---|---|---|
| GST receivable | 5,631 | 21,663 |
| Prepayments | 1,939 | 2,558 |
| Trade debtors | 14,136 | 4,416 |
| | **21,706** | **28,637** |

## Note 8. Property, plant and equipment

| | | |
|---|---|---|
| **Land & buildings** | | |
| At cost | - | - |
| Leasehold improvements | | |
| At cost | 228,962 | 228,962 |
| Less accumulated depreciation | (33,017) | (7,875) |
| | **195,945** | **221,087** |
| **Plant and equipment** | | |
| At cost | 27,834 | 27,834 |
| Less accumulated depreciation | (13,523) | (6,257) |
| | **14,311** | **21,577** |
| **Total written down amount** | **210,256** | **242,664** |
| **Movements in carrying amounts** | | |
| **Leasehold improvements** | | |
| Carrying amount at beginning of year | 221,087 | - |
| Additions | - | 228,962 |
| Disposals | - | - |
| Depreciation expense | (25,142) | (7,875) |
| **Carrying amount at end of year** | **195,945** | **221,087** |

# Notes to the financial statements continued

| | 2008 $ | 2007 $ |
|---|---|---|

## Note 8. Property, plant and equipment (continued)

| | 2008 $ | 2007 $ |
|---|---|---|
| **Plant and equipment** | | |
| Carrying amount at beginning of year | 21,577 | - |
| Additions | - | 27,834 |
| Disposals | - | - |
| Depreciation expense | (7,266) | (6,257) |
| **Carrying amount at end of year** | **14,311** | **21,577** |

## Note 9. Intangible assets

| | 2008 $ | 2007 $ |
|---|---|---|
| **Franchise fee** | | |
| At cost | 10,000 | 10,000 |
| Less accumulated amortisation | (4,625) | (2,625) |
| | **5,375** | **7,375** |
| **Preliminary expenses** | | |
| At cost | 30,951 | 30,951 |
| Less accumulated amortisation | (9,285) | (3,095) |
| | **21,666** | **27,856** |
| | **27,041** | **35,231** |

## Note 10. Payables

| | 2008 $ | 2007 $ |
|---|---|---|
| Trade creditors | 34,153 | 82,727 |
| Other creditors and accruals | 7,413 | 6,315 |
| | **41,566** | **89,042** |

## Note 11. Interest bearing liabilities

The Company had no Interest bearing liabilities in 2008 or 2007.

| | 2008 $ | 2007 $ |
|---|---|---|

## Note 12. Provisions

| | | |
|---|---|---|
| Employee benefits | 12,364 | 6,282 |
| **Number of employees at year end** | **4** | **5** |

## Note 13. Share capital

| | | |
|---|---|---|
| **688,108 Ordinary shares fully paid of $1 each** | **688,108** | **688,108** |

## Note 14. Retained earnings / (accumulated losses)

| | | |
|---|---|---|
| Balance at the beginning of the financial year | (170,212) | (413) |
| Profit/(loss) after income tax | (162,712) | (169,799) |
| Dividends | - | - |
| **Balance at the end of the financial year** | **(332,925)** | **(170,212)** |

## Note 15. Cash flow statement

| | | |
|---|---|---|
| **(a) Reconciliation of cash** | | |
| Cash assets | 7,519 | 232,591 |
| Bank overdraft | - | - |
| | **7,519** | **232,591** |
| **(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities** | | |
| Profit / (loss) after income tax | (162,712) | (169,799) |
| **Non cash items** | | |
| - Depreciation | 32,408 | 14,132 |
| - Amortisation | 8,190 | 5,720 |
| **Changes in assets and liabilities** | | |
| - (Increase) decrease in receivables | (6,954) | (8,892) |
| - Increase (decrease) in payables | (48,614) | 85,426 |
| - Increase (decrease) in provisions | (47,390) | (83,473) |
| **Net cash flows from/(used in) operating activities** | **(225,072)** | **(156,887)** |

## Note 16. Director and related party disclosures

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

Brenden Robert McKay

Susan Cary McCarthy

TonyReuben Campbell

Joseph James Cusack

Dr Yasufali Sheriff Khalfan

Barbara Lillian Sargent

Geoffrey Raymond Buckland

Julie Rose O'Connor

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

| **Directors shareholdings** | **2008** | **2007** |
|---|---|---|
| Brenden Robert McKay | 3,001 | 3,001 |
| Susan Cary McCarthy | 12,501 | 12,501 |
| TonyReuben Campbell | 2,001 | 2,001 |
| Joseph James Cusack | 501 | 501 |
| Dr Yasufali Sheriff Khalfan | 3,001 | 3,001 |
| Barbara Lillian Sargent | 4,001 | 4,001 |
| Geoffrey Raymond Buckland | | |
| Julie Rose O'Connor | | |

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 were it provides banking services to its clients. The economic entity operates in one geographic area being Harden Murrumburrah and districts.

## Note 20. Corporate information

Murrimboola Financial Services Ltd is a Company limited by shares incorporated in Australia.

The Company shares were publicly listed for trading on the Bendigo Stock Exchange.

The registered office and principal place of business is:
23 Neill Street, Harden.

## Note 21. Dividends paid or provided for on ordinary shares

**(a) Dividends**

No dividends were declared or paid in 2008 or 2007.

**(b) Franking credit balance**

The Company has no franking credits available for dividend payments in 2008 or 2007.

| | 2008 $ | 2007 $ |
|---|---|---|

## 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.

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).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | 2008 $ | 2007 $ |
|---|---|---|
| **Profit/(loss) after income tax expense** | **(162,712)** | **(169,799)** |
| **Weighted average number of ordinary shares for basic and diluted earnings per share** | **688,108** | **688,108** |

## 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 | |
|---|---|---|
| | **2008** | **2007** |
| | **$** | **$** |
| Cash assets | 7,519 | 232,591 |
| Receivables | 21,706 | 28,637 |
| | **29,225** | **261,228** |

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

None of the assets of the Company are past due (2007: 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.

## Note 23. Financial risk management (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 2008** | | | | | |
| Payables | 41,566 | (41,566) | (41,566) | - | - |
| Interest bearing liabilities | - | - | - | - | - |
| | **41,566** | **(41,566)** | **(41,566)** | **-** | **-** |
| **30 June 2007** | | | | | |
| Payables | 89,042 | (89,042) | (89,042) | - | - |
| Interest bearing liabilities | - | - | - | - | - |
| | **89,042** | **(89,042)** | **(89,042)** | **-** | **-** |

**(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.

**Sensitivity analysis**

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

| | Carrying amount 2008 $ | Carrying amount 2007 $ |
|---|---|---|
| **Fixed rate instruments** | | |
| Financial assets | - | 209,000 |
| Financial liabilities | - | - |
| | **-** | **209,000** |
| **Variable rate instruments** | | |
| Financial assets | 7,519 | 23,591 |
| Financial liabilities | - | - |
| | **7,519** | **23,591** |

## Note 23. Financial risk management (continued)

**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 2007 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.

**(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 2008 can be seen in the Income Statement.

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

# Director’s declaration

In accordance with a resolution of the Directors of Murrimboola Financial Services Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company’s financial position as at 30 June 2008 and of 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 2008.

| | |
|---|---|
| **Brenden McKay** | **Susan McCarthy** |
| **Director** | **Director** |

Signed at Harden on 16 October 2008.

# Independent audit report

**Murrimboola Financial Services Limited ACN 118 357 467**
**Independent Auditor Report**

## Scope

We have audited the financial report, being the Statement by Directors, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements of Murrimboola Financial Services Limited for the financial year ended 30 June 2008. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

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

## Independence

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration has not changed as at the date of providing our audit opinion.

## Audit opinion

In our opinion, the financial report of Murrimboola Financial Services Limited is in accordance with:

1. the Corporations Act 2001, including:

   (a) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

   (b) complying with Accounting Standards and the Corporations Regulations; and

2. other mandatory professional reporting requirements.

Signed on : 16 October 2008

Grant Pearce, FCA
Grant L Pearce
35 Montague St, Goulburn

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