annual report 2010

Murrimboola Financial Services Limited

ABN 12 118 357 467

Harden Murrumburrah **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

It gives me great pleasure to present my second annual report as your Chairman, on the affairs of your Company which is now in its fourth year of operating the Harden Murrumburrah **Community Bank®** Branch.

This has once again been a year of steady progress in all facets of our affairs. Account numbers have increased by more than 250 in the past year and our business volume is now hovering around $40 million, $10 million greater than a year ago.

Several local organisations have benefited from our investments in our community, the amount of which has now reached close to $13,000. We are looking forward in the not too distant future to be able, not only to increase this amount substantially, but also to begin to pay the first dividends to you, the shareholders.

We as Directors are proud of our initiative of February last year when we introduced the concept of community enterprise to local employers, councillors, and business people. The objectives we identified have now become part of a strategic action plan being developed for the Shire.

A delegate from our Board will be part of TEAM Harden Shire for the life of the project.

Our commitment to community has also led us to make an approach to the Murrumburrah-Harden show Society. Our goal is to combine our investment with other sources of money available to the Society and thus leverage the original funds to enable the horse and cattle facility at the showground to become something which will be quite exceptional and unmatched in the area.

Directors continue to pursue excellence in our task. We took a Sunday in February last to revisit our strategic plan and to bring it up to date with our present position. We endeavour to keep our knowledge of governance current by addressing different policies and issues at monthly meetings, and where possible attend Director Education Workshops.

Board Secretary Julie O'Connor and I, along with our Branch Manager Ralph Hawkins, attended the NSW/ACT **Community Bank®** Conference in Ulladulla. This was a most valuable and informative time for us, being inspired by the successes of others like ourselves, and especially by the motivational speakers we were privileged to listen to.

I sincerely thank our branch staff: Ralph whose assistance to the Board in all our endeavours is invaluable, and Janelle, Gale and Sarah whose cheerful, efficient service at the front counter is the embodiment of all that we stand for. I thank Regional Manager Tim Butt for his advice and support for us in our undertakings.

I thank and congratulate the Directors who give up their time voluntarily to support this community through our banking enterprise. In the hands of these people I have mentioned I believe we have a bright and promising future.

B L Sargent

Barb Sargent
Chairman

Manager's report

For year ending 30 June 2010

The finish of the 2009/2010 financial year has seen our business footings at $39.7 million, with 1,410 accounts operating at the branch. On a year on year basis we have grown the business by a further $11 million and our number of accounts by 268.

The growth we have achieved over the past 12 months is a great result given the fact that our local economy continues to operate on a fairly flat basis.

The efforts of our Customer Service team of Gale, Janelle and Sarah, in maintaining a high level of service, are greatly appreciated and a major contributing factor in maintaining the growth we have achieved.

The Company's Board of Directors continues to be enthusiastic in their support of our local branch with their efforts also greatly appreciated.

Further inroads have been made in converting shareholders into customers, with the percentage of shareholders who are also customers now above the 50% mark.

As we move forward this year our business is expected to grow by a further $7 million. A factor in how quickly we can achieve this is by our shareholders and customers taking every opportunity to recommend the services of their **Community Bank®** branch to friends and family.

In closing, to all our customers and those shareholders who have already made the decision to bank with the **Community Bank®** branch, many thanks for your continuing support.

Ralph Hawkins
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

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

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

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

Our **Community Bank®** customers have been served by more than 1150 staff that are supported by almost 1700 volunteer Directors.

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank Ltd report continued

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

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

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

Directors

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

Barbara Sargent
Chairman
Retired School Teacher

Tony Campbell
Director
Agriculture Business

Brenden Robert McKay
Chairman
Businessman

Hugh Pavitt
Director
Businessman

Evelyn Shea - appointed 18 December 2009
Director
Health Service Manager

Susan McCarthy
Treasurer
Farm Officer Manager

Julie O'Connor
General Secretary
Home duties

Dr Yusufali Khalfan
Director
Medical Practitioner

Geoffrey Buckland
Director
Retired

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) after income tax expense for the Company for the financial year was ($52,838) (2009: ($121,872)).

Dividends	Year ended 30 June 2010 Cents per share	 $'000
Final dividends recommended:	nil	nil
Dividends paid in the year:		
- Interim for the year	nil	nil
- As recommended in the prior year report	nil	nil

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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers' insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officers' liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board meetings #
Barbara Sargent	12 (12)
Susan McCarthy	12 (12)
Tony Campbell	8 (12)
Julie O'Connor	12 (12)
Brenden Robert McKay	10 (12)
Dr Yusufali Khalfan	8 (12)
Hugh Pavitt	11 (12)
Geoffrey Buckland	9 (12)
Evelyn Shea - appointed 18 December 2009	7 (7)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

Company Secretary

Alexander Wright has been the Company Secretary of Murrimboola Financial Services Ltd since 2008.

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

Grant L Pearce

Chartered Accountants

Auditor's Independence Declaration

In relation to our audit of the financial report of Murrimboola Financial Services Ltd for the financial year ended 30 June 2010, 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

Grant L Pearce Chartered Accountants

Goulburn

Date: 18 October 2010.

Signed in accordance with a resolution of the Board of Directors on 21 October 2010.

Barbara Sargent
Chairman

Susan McCarthy
Treasurer

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	299,485	184,835
Employee benefits expense	3	(202,067)	(197,750)
Charitable donations and sponsorship		(8,609)	(443)
Depreciation and amortisation expense	3	(34,847)	(37,722)
Finance costs	3	(12,892)	(2,231)
Other expenses from ordinary activities		(114,275)	(115,982)
Profit/(loss) before income tax expense		**(73,205)**	**(169,293)**
Income tax expense	4	(20,368)	(47,421)
Profit/(loss) after income tax expense		**(52,837)**	**(121,872)**
Total comprehensive income		**(52,837)**	**(121,872)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	-7.68	-17.71
- diluted for profit / (loss) for the year	22	-7.68	-17.71

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	-	-
Receivables	7	32,680	23,926
Total current assets		**32,680**	**23,926**
Non-current assets			
Property, plant and equipment	8	154,069	180,724
Deferred tax assets	4	210,380	190,012
Intangible assets	9	10,661	18,851
Total non-current assets		**375,110**	**389,587**
Total assets		**407,790**	**413,513**
Current liabilities			
Payables	10	25,859	24,845
Loans and borrowings	11	184,919	144,133
Provisions	12	16,537	11,223
Total current liabilities		**227,315**	**180,201**
Total liabilities		**227,315**	**180,201**
Net assets		**180,475**	**233,312**
Equity			
Share capital	13	688,108	688,108
Retained earnings / (accumulated losses)	14	(507,633)	(454,796)
Total equity		**180,475**	**233,312**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		290,730	129,564
Cash payments in the course of operations		(318,625)	(278,986)
Interest paid		(12,891)	(2,231)
Interest received		-	1
Income tax paid		-	-
Net cash flows from/(used in) operating activities	**15b**	**(40,786)**	**(151,652)**
Cash flows from financing activities			
Proceeds from borrowings		-	200,000
Net cash flows from/(used in) financing activities		**-**	**200,000**
Net increase/(decrease) in cash held		**(40,786)**	**48,348**
Cash and cash equivalents at start of year		55,867	7,519
Cash and cash equivalents at end of year	**15a**	**15,081**	**55,867**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended 30 June 2010

	Note	2010 $	2009 $
Share capital			
Balance at start of year		688,108	688,108
Balance at end of year		**688,108**	**688,108**
Retained earnings / (accumulated losses)			
Balance at start of year		(454,796)	(332,924)
Profit/(loss) after income tax expense		(52,837)	(121,872)
Dividends paid	21	-	-
Balance at end of year		**(507,633)**	**(454,796)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Murrimboola Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 21 October 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

Notes to the financial statements continued

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

Income tax (continued)

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.

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.

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.

Notes to the financial statements continued

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

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 Statement of Financial Position. 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 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 reporting 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.

Revenue

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

Notes to the financial statements continued

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

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.

Loans and borrowings

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.

Share 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.

	2010 $	**2009 $**

Note 2. Revenue from ordinary activities

Operating activities		
- services commissions	238,281	149,374
- other revenue	61,204	35,460
Total revenue from operating activities	**299,485**	**184,834**
Non-operating activities:		
- interest received	-	1
Total revenue from non-operating activities	**-**	**1**
Total revenue from ordinary activities	**299,485**	**184,835**

	2010 $	2009 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	183,859	183,034
- superannuation costs	15,889	15,858
- workers' compensation costs	372	172
- other costs	1,947	(1,313)
	202,067	**197,750**
Depreciation of non-current assets:		
- plant and equipment	26,657	29,532
Amortisation of non-current assets:		
- intangibles	8,190	8,190
	34,847	**37,722**
Finance costs:		
- Interest paid	12,892	2,231
Bad debts	425	-

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%	(21,962)	(50,788)
Add tax effect of:		
- Non-deductible expenses	1,594	3,367
Current income tax expense	**(20,368**	**(47,421)**
Income tax expense	**(20,368)**	**(47,421)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**210,380**	**190,012**

Notes to the financial statements continued

	2010 $	2009 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by Laterals GLP for:

- Audit or review of the financial report of the Company	4,500	4,000
- Other services	2,200	3,200
	6,700	**7,200**

Note 6. Cash and cash equivalents

Cash at bank and on hand	-	-

Note 7. Receivables

Trade debtors	32,680	23,926
	32,680	**23,926**

Note 8. Property, plant and equipment

Leasehold improvements		
At cost	228,962	228,962
Less accumulated depreciation	(83,301)	(58,159)
	145,661	**170,803**
Plant and equipment		
At cost	27,835	27,835
Less accumulated depreciation	(19,427)	(17,914)
	8,408	**9,921**
Total written down amount	**154,069**	**180,724**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	170,803	195,945
Additions	-	-
Disposals	-	-
Depreciation expense	(25,142)	(25,142)
Carrying amount at end of year	**145,661**	**170,803**

	2010 $	2009 $

Note 8. Property, plant and equipment (continued)

Plant and equipment

Carrying amount at beginning of year	9,921	14,311
Additions	-	-
Disposals	-	-
Depreciation expense	(1,514)	(4,390)
Carrying amount at end of year	**8,407**	**9,921**

Note 9. Intangible assets

Franchise fee

At cost	10,000	10,000
Less accumulated amortisation	(8,625)	(6,625)
	1,375	**3,375**
Preliminary expenses		
At cost	30,951	30,951
Less accumulated amortisation	(21,665)	(15,475)
	9,286	**15,476**
	10,661	**18,851**

Note 10. Payables

Trade creditors	9,010	12,237
Other creditors and accruals	16,849	12,608
	25,859	**24,845**

Note 11. Loans and borrowings

Bank overdraft	184,919	144,133
	184,919	**144,133**

	2010 $	2009 $

Note 12. Provisions

Employee benefits	**16,537**	**11,223**

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	(454,796)	(332,924)
Profit/(loss) after income tax	(52,837)	(121,872)
Dividends	-	-
Balance at the end of the financial year	**(507,633)**	**(454,796)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	-	-
Bank overdraft available for drawdown	15,081	55,867
	15,081	**55,867**

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

Profit / (loss) after income tax	(52,837)	(121,872)
Non cash items		
- Depreciation	26,657	29,532
- Amortisation	8,190	8,190
Changes in assets and liabilities		
- (Increase) decrease in receivables	(8,755)	(55,271)
- Increase (decrease) in payables	1,013	(21,915)
- Increase (decrease) in provisions	5,313	9,684
Net cash flows from/(used in) operating activities	**(20,419)**	**(151,652)**

Note 16. Director and related party disclosures

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

Barbara Sargent

Susan McCarthy

Tony Campbell

Julie O'Connor

Brenden Robert McKay

Dr Yusufali Khalfan

Hugh Pavitt

Geoffrey Buckland

Evelyn Shea

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 as at 30 June 2010	**2010**		**2009**
Barbara Sargent	4,001		4,001
Susan McCarthy	12,501	*	12,501
Tony Campbell	2,001		2,001
Julie O'Connor	2,000		2,000
Brenden Robert McKay	4,001	*	4,001
Dr Yusufali Khalfan	3,001		3,001
Hugh Pavitt	5,000		5,000
Geoffrey Buckland	3,000	*	3,000
Evelyn Shea - appointed 18 December 2009	2,500	*	n/a

* includes shares held jointly with spouse

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.

Notes to the financial statements continued

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

Note 20. Corporate information

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

The registered office and principal place of business is: 23 Neill Street,
Harden NSW 2587

	2010 $	2009 $

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2009: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2009: nil cents per share)	-	-
(ii) Previous year final		
Franked dividends - nil cents per share (2009: nil cents per share)	-	-
(c) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2009: nil cents per share)	-	-

(d) Franking credit balance

The Company has no franking credits available for dividend payments.

	2010 $	2009 $

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:

	2010 $	2009 $
Profit/(loss) after income tax expense	**(52,837)**	**(121,872)**
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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount 2010 $	2009 $
Cash assets	-	-
Receivables	32,680	23,926
	32,680	**23,926**

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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 (2009: 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 $200,000 with Bendigo and Adelaide Bank Ltd.

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 2010					
Payables	25,859	(25,859)	(25,859)	–	–
Loans and borrowings	184,919	–	–	–	–
	210,778	**(25,859)**	**(25,859)**	**–**	**–**
30 June 2009					
Payables	24,845	(24,845)	(24,845)	–	–
Loans and borrowings	144,133	–	–	–	–
	168,978	**(24,845)**	**(24,845)**	**–**	**–**

Note 23. Financial risk management (continued)

(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	
	2010	**2009**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(184,919)	(144,133)
	(184,919)	**(144,133)**

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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

Note 23. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Directors' declaration

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

In the opinion of the Directors:

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

  (i) giving a true and fair view of the Company's financial position as at 30 June 2010 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 2010.

B L Sargent

Barbara Sargent
Chairman

Signed at Harden on 21 October 2010..

Independent audit report

Murrimboola Financial Services Limited
ABN 12 118 357 467
Independent Audit 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 2010. 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 2010 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 18 October 2010.

Grant Pearce,

Grant L Pearce, Chartered Accountant

35 Montague St, Goulburn

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(BMPAR10107) (10/10)

Bendigo Bank