annual report | 2009

Mundubbera

Financial Services Limited

ABN 33 120 578 565

Mundubbera **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2009

This year has seen some significant changes within Mundubbera Financial Services Limited.

In November 2008, Mr Rob Watt was appointed Branch Manager. Rob has banking background and for many years ran a very successful insurance business in Mundubbera. He has an intimate knowledge of this district and its needs and is also well respected and trusted to offer sound advice. The appointment of a man of Rob's calibre has brought about a change in people's perception of the bank. They now accept that our **Community Bank®** Branch offers all the banking product and services you could expect of a REAL bank. Our Board now believes we have a great local team to deliver these banking solutions to the Mundubbera community.

We will bid farewell to two Directors at this years AGM. Steve Berry and Kathy Vicary are retiring from the Board. They have both been involved since the very early days of establishing the branch. They have each made an enormous contribution through many hours of voluntary work. They will be greatly missed. At the time of writing, a number of people have indicated great interest in becoming Board members but as yet there have been no appointments.

On a different note, we the Board have been concerned by the lower than hoped level of business from the current shareholder base. At this point in time, the percentage of our shareholders who bank with our **Community Bank®** Branch, sits well below the **Community Bank®** network on a national basis. We need more of our shareholders to support us with their banking business, so we can return more of our profits back to the Mundubbera community. Mundubbera is a very special place to call home, and as a Board, we consulted with the town seeking your thoughts as to where we should invest our profits back into Mundubbera. We know what you want, but without your support, we can't deliver. So we ask that you consider your **Community Bank®** Branch when next seeking some banking solutions.

Tim Duggan
Chairman

Manager’s report

For year ending 30 June 2009

Since taking up the position of Branch Manager on 3 November, we have seen a lot of change.

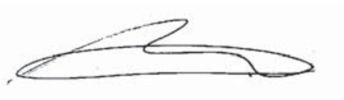
We have restructured and refocussed branch staffing. We have undertaken a ‘Branch Work Flow Analysis’ and importantly sought some customer input and made some procedural changes accordingly, to improve service.

We are striving to bring our Bank to the front of Mundubbera for all people and showing them we are a very real competitor for their business especially with our local and community focus.

Our staff have undertaken substantial training, which is ongoing, to enhance their personal knowledge and skill level.

The biggest news in the financial world has been the Global Financial Crisis, or GFC. Pleasingly we have seen very little impact and in contradiction to the norm we have had substantial growth in footings and have a pleasing ‘pipeline’ in front of us. From a business perspective, we have taken on intentional bias toward larger agribusiness and commercial lending, which we feel will be the most appropriate avenue to success.

All staff are involved in community groups and the Board and staff work well together at events. We will continue to work with the Board to assist with events and facilities that benefit the whole of the community, with both large and small projects.



Rob Watt
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

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

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

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

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

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

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

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

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

Russell Jenkins
Chief General Manager

Directors' report

For year ending 30 June 2009

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

Directors

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

Timothy Gerard Duggan
Chairman

Age: 57

Businessman, owner of Mundubbera Butchering Co.

25 years involved in cattle grazing, feed lotting, dubosia production and hotel industries. 15 years as owner and operator of Mundubbera Butchering Co. Social member of the golf club, bowls club and member of Rotary.

Interests in shares: 3,501

Stephen Alan Berry
Secretary

Age: 45

Pastor - Mundubbera Baptist Church

15 years experience with BHP, 9 years in the laboratory followed by 6 years as an Environment Officer. Holds a Bachelor of Ministry. Has been involved in many community groups including kindergarten management committee, Boys Brigade, APEX and school P&C committees.

Interests in shares: 2,001

David James Jenkinson
Director

Age: 57

Motor Mechanic and Bus Driver

Councillor of Mundubbera Shire from 2000 to 2008 (Deputy Mayor from 2004). Member of Rotary Club for 11 years and member of the Mundubbera Baptist Church.

Interests in shares: 5,001

Deann Maree Robinson
Director

Age: 35

IGA Supermarket Store Manager

Experience in citrus industry and retail store management. Holds a Diploma of Retail Management and awarded IGA store manager of the year for QLD and NSW in 2006. Member of the local Jaycette committee.

Interests in shares: 1,001

Loris Jean Doessel
Treasurer

Age: 51

Administration Officer

Mundubbera Shire Councillor from 2000 to 2008. Experience in banking, administration and lucerne farming. Involved as office bearer in several local and regional community organisations.

Interests in shares: 34,001

Kathleen Therese Vicary
Director

Age: 59

Semi - retired

Banking, Hospitality, Fruit and Retail Industry experience. Chaplain to the Mundubbera Multi-Purpose Health Centre and involved in several Community Groups, Secretary to Mundubbera Senior Citizens' Home Units committee operating Leichhardt Lodge.

Interests in shares: 2,001

Douglas John Balshaw
Director

Age: 48

Teacher - Head of Department

Experience in retail, meat and food processing industry and technology. Holds a Bachelor of Education and is currently Head of Department at Mundubbera State School. He is a life member of the Mundubbera Apex Club and currently the President of the Mundubbera Rugby League and Mundubbera Rotary Club. John and his wife Debbie own a small hardware store in Mundubbera, where they assist with the operation of the business on a daily and weekend basis.

Interests in shares: 2,501

Gary Harris
Director

Age: 45

Managing Director of Bus Company

Lives in Gayndah but has had business interests in Mundubbera for some years. Operates charter and school bus services.

Interests in shares: 3,000

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

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

Company Secretary

The Company Secretary is Stephen Berry. Stephen was appointed to the position of secretary on 28 June 2006.

Stephen has been involved in many community groups including kindergarten management committees, Boys Brigade, APEX and school P&C committees.

Principal activities

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

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

Operating results

The recent global financial crisis has adversely impacted the stability of the international financial system. The current global financial crisis presents a challenge for all financial institutions, including Bendigo and Adelaide Bank and in turn Mundubbera Financial Services Limited. The duration and extent of the global financial crisis is still largely unknown and continuation of these conditions could adversely affect the ongoing financial performance or financial condition of the Company's business as a franchisee of a **Community Bank®** Branch.

	Year ended 30 June 2009 $	Year ended 30 June 2008 $
	(200,245)	(225,112)

Remuneration report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

Dividends

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

Significant changes in the state of affairs

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

Directors' report continued

Matters subsequent to the end of the financial year

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

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of Directors' and officers

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

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

Directors' meetings

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

	Number of Board meetings eligible to attend	Number attended
Timothy Gerard Duggan	13	11
Loris Jean Doessel	13	13
Stephen Alan Berry	13	11
Kathleen Therese Vicary	13	13
David James Jenkinson	13	11
Deann Maree Robinson	13	9
Douglas John Balshaw	13	11
Gary Harris	13	8

Non audit services

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

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

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

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

Directors' report continued

Auditor's Independence Declaration

As lead auditor for the audit of Mundubbera Financial Services Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

This declaration is in respect of Mundubbera Financial Services Limited.

David Hutchings

Auditor Partner

Andrew Frewin & Stewart

Bendigo

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenues from ordinary activities	3	153,374	113,878
Salaries and employee benefits expense		(192,276)	(208,227)
Advertising and promotion expenses		(6,888)	(7,930)
Occupancy and associated costs		(25,961)	(32,884)
Systems costs		(22,006)	(22,705)
Depreciation and amortisation expense	4	(21,071)	(18,544)
Finance costs	4	(15,916)	(147)
General administration expenses		(69,501)	(48,553)
Loss before income tax expense		**(200,245)**	**(225,112)**
Income tax expense	5	-	-
Loss for the period		**(200,245)**	**(225,112)**
Loss attributable to members of the entity		**(200,245)**	**(225,112)**

Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	20	(33.19)	(37.31)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Assets			
Current assets			
Cash assets	6	-	200
Trade and other receivables	7	8,763	3,047
Total current assets		**8,763**	**3,247**
Non-Current Assets			
Property, plant and equipment	8	185,077	169,550
Intangible assets	9	4,667	6,667
Total non-current assets		**189,744**	**176,217**
Total assets		**198,507**	**179,464**
Liabilities			
Current liabilities			
Trade and other payables	10	5,327	15,447
Financial liabilities	11	295,038	80,407
Provisions	13	8,602	6,345
Total current liabilities		**308,967**	**102,199**
Non-Current Liabilities			
Financial liabilities	11	21,624	10,839
Provisions	13	1,735	-
Total non-current liabilities		**23,359**	**10,839**
Total liabilities		**332,326**	**113,038**
Net assets		**(133,819)**	**66,426**
Equity			
Issued capital	14	572,563	572,563
Accumulated losses	15	(706,382)	(506,137)
Total equity		**(133,819)**	**66,426**

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			
Receipts from customers		152,651	115,733
Payments to suppliers and employees		(327,753)	(313,479)
Interest paid		(15,916)	(147)
Interest received		-	1,621
Net cash used in operating activities	**16**	**(191,018)**	**(196,272)**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(34,598)	(1,980)
Net cash used in investing activities		**(34,598)**	**(1,980)**
Cash Flows From Financing Activities			
Proceeds from issues of equity securities		-	1,000
Payment for share issue costs		-	(11,775)
Proceeds from borrowings		33,990	-
Repayment of borrowings		(4,183)	-
Net cash provided by/(used in) financing activities		**29,807**	**(10,775)**
Net decrease in cash held		(195,809)	(209,027)
Cash at the beginning of the financial year		(80,207)	128,820
Cash at the end of the half-year	**6(a)**	**(276,016)**	**(80,207)**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Total equity at the beginning of the period		66,426	290,538
Net loss for the period		(200,245)	(225,112)
Net income/expense recognised directly in equity		-	-
Total income and expense recognised by the entity for the year		**(200,245)**	**(225,112)**
Dividends provided for or paid		-	-
Shares issued during period		-	1,000
Costs of issuing shares		-	-
Total equity at the end of the period		**(133,819)**	**66,426**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

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

Deferred tax

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

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.

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

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

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

Current and deferred tax for the period

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

Employee entitlements

Provision is made for the company’s liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

Intangibles

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Critical accounting estimates and judgements

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

Trade receivables and payables

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

Borrowings

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

Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

Note 1. Summary of significant accounting policies (continued)

(iii) Financial liabilities

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

Impairment

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

Leases

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

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

Provisions

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

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

Contributed equity

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

Earnings per share

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

Notes to the financial statements continued

Note 2. Financial Risk Management (continued)

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

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

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

	2009 $	2008 $

Note 3. Revenue from ordinary activities

	2009 $	2008 $
Operating activities:		
- services commissions	153,374	112,307
Total revenue from operating activities	153,374	112,307
Non-operating activities:		
- interest received	-	1,571
Total revenue from non-operating activities	**-**	**1,571**
Total revenues from ordinary activities	**153,374**	**113,878**

Note 4. Expenses

	2009 $	2008 $
Depreciation of non-current assets:		
- plant and equipment	9,861	7,464
- leasehold improvements	9,210	9,080
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	21,071	**18,544**
Finance costs:		
- interest paid	**15,916**	**147**
Bad debts	**830**	**373**

		2009 $	2008 $

Note 5. Income tax expense

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

		2009 $	2008 $
Operating loss		(200,245)	(225,112)
Prima facie tax on loss from ordinary activities at 30%		(60,074)	(67,534)
Add tax effect of:			
- non-deductible expenses		600	600
- timing difference expenses		(64)	(145)
- blackhole expenses		(2,379)	(1,851)
		61,917	(68,930)
Movement in deferred tax not brought to account		(63)	(3,303)
Income tax losses not brought to account		61,854	(72,233)
Income tax losses:		-	-
Future income tax benefits arising form tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.			
Future income tax benefit carried forward is:		213,156	154,543

Note 6. Cash assets

		2009 $	2008 $
Cash at bank and on hand		-	200
		-	**200**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:			
6(a) Reconciliation of cash			
Cash at bank and on hand		-	200
Overdraft	11.	(276,016)	(80,407)
		(276,016)	**(80,207)**

	2009 $	2008 $

Note 7. Trade and other receivables

Trade receivables	8,763	3,047
	8,763	**3,047**

Note 8. Property, plant and equipment

Plant and equipment		
At cost	80,110	45,512
Less accumulated depreciation	(27,352)	(17,491)
	52,758	**28,021**
Leasehold improvements		
At cost	156,584	156,584
Less accumulated depreciation	(24,265)	(15,055)
	132,319	**141,529**
Total written down amount	**185,077**	**169,550**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	28,021	35,485
Additions	34,598	-
Less: depreciation expense	(9,861)	(7,464)
Carrying amount at end	**52,758**	**28,021**
Leasehold improvements		
Carrying amount at beginning	141,529	148,629
Additions	-	1,980
Less: depreciation expense	(9,210)	(9,080)
Carrying amount at end	**132,319**	**141,529**
Total written down amount	**185,077**	**169,550**

Notes to the financial statements continued

		2009 $	2008 $

Note 9. Intangible assets

		2009 $	2008 $
Franchise Fee			
At cost		10,000	10,000
Less: accumulated amortisation		(5,333)	(3,333)
		4,667	**6,667**

Note 10. Trade and other payables

		2009 $	2008 $
Trade creditors		2,928	13,448
Other creditors & accruals		2,400	2,000
		5,328	**15,448**

Note 11. Borrowings

		2009 $	2008 $
Current:			
Bank overdrafts	11.a)	276,016	80,407
Lease liability	12.	8,182	-
Council loan	11.b)	10,839	-
		295,037	**80,407**
Non Current:			
Lease liability	12.	21,624	-
Council loan	11.b)	-	10,839
		21,624	**10,839**

11.a) Bank overdraft

The Company has an approved overdraft facility of $360,000. The overdraft was interest free for the first 6 months and did not incur interest until 21 August 2008 at which time interest was charged at the commercial interest rates as per agreement with Franchisor (currently 9.64%). The overdraft is secured by a fixed and floating charge over the Company's assets.

11.b) Loan from Mundubbera Shire Council

The Company received a loan for $10,839 to cover the costs of the feasibility study carried out relating to the establishment of the Mundubbera **Community Bank®** Branch. This is unsecured and does not incur interest. It is due to be repaid before 28 November 2009.

Notes to the financial statements continued

	2009 $	2008 $

Note 12. Leases

Finance Lease Commitments

	2009 $	2008 $
Payable — minimum lease payments		
— not later than 12 months	8,182	-
— between 12 months and 5 years	26,908	-
— greater than 5 years	-	-
Minimum lease payments	35,090	-
Less future finance charges	(5,284)	-
Present value of minimum lease payments	29,806	-

The finance lease of a motor vehicle, which commenced in October 2008, is a 4-year lease with monthly repayments of $681.85 and final baloon payment of $8,497.50. Interest is recognised at an average rate of 8.097%.

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	2009 $	2008 $
Payable — minimum lease payments		
— not later than 12 months	18,486	17,948
— between 12 months and 5 years	22,230	40,716
— greater than 5 years		
	40,716	**58,664**

The branch premises lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Rent is increased annually in September by 3% for the first term of the lease. The lease is due for renewal in September 2011 with a further two 5 year terms avaliable.

	2009 $	2008 $

Note 13. Provisions

	2009 $	2008 $
Current		
Employee provisions	**8,602**	**6,345**
Non Current		
Employee provisions	**1,735**	**6,345**
Number of employees at year end	**3**	**3**

Note 14. Contributed equity

	2009 $	2008 $
603,409 Ordinary shares fully paid of $1 each (2008: 602,409)	603,409	603,409
Less: equity raising expenses	(30,846)	(30,846)
	572,563	**572,563**

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each shareholder attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.
The purpose of giving each shareholder only one vote, regardless of the number of shares held, is to reflect the nature of the Company as a community based Company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the Company.

(b) Dividends

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

Note 14. Contributed equity (continued)

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test").
- The base number is 217. As at the date of this report, the Company had 217 shareholders.

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

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

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

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

	2009 $	2008 $

Note 15. Accumulated losses

	2009 $	2008 $
Balance at the beginning of the financial year	(506,137)	(281,025)
Net loss from ordinary activities after income tax	(200,245)	(225,112)
Balance at the end of the financial year	**(706,382)**	**(506,137)**

Note 16. Statement of cashflows

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

	2009 $	2008 $
Loss from ordinary activities after income tax	(200,245)	(225,112)
Non cash items:		
- depreciation	19,071	16,544
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,716)	5,750
- increase in payables	(10,120)	4,963
-increase/(decrease) in provisions	3,992	(417)
Net cashflows used in operating activities	**(191,018)**	**(196,272)**

Note 17. Auditors' remuneration

	2009 $	2008 $
Amounts received or due and receivable by the		
Auditor of the Company for:		
- audit & review services	3,200	3,000
- non audit services	3,615	1,960
	6,815	**4,960**

Note 18. Director and related party disclosures

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

Timothy Gerard Duggan

Loris Jean Doessel

Stephen Alan Berry

Kathleen Therese Vicary

David James Jenkinson

Deann Maree Robinson

Douglas John Balshaw

Gary Harris

Except for Timothy Duggan, Deann Robinson, Douglas Balshaw and David Jenkinson 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.

Timothy Duggan owns Mundubbera Butchering Co which supplied the Company with goods for promotional purposes during the financial year. During the financial year the total benefit Mundubbera Butchering Co received was $262.60 (2008: $40.00).

Deann Robinson is the Store Manager of the local IGA supermarket. Mundubbera IGA supermarket supplied the Company with goods for promotional purposes and staff amenities during the financial year. During the financial year the total benefit Mundubbera IGA received was $263.28 (2008: $334.93).

Douglas Balshaw is a teacher and Head of Department at Mundubbera State School. During the year the company paid $520 (2008: $11,000) to Mundubbera State School for sponsorship. John's hardware business also supplied the company with a marquee and hardware to the value of $3,947.07.

David Jenkinson (Mechanic) supplied mud flaps for the motor vehicle owned by the Company to the value of $82.08.

Notes to the financial statements continued

Note 18. Director and related party disclosures (continued)

Directors' shareholdings	**2009**	**2008**
Timothy Gerard Duggan	3,501	3,501
Loris Jean Doessel	34,001	34,001
Stephen Alan Berry	2,001	2,001
Kathleen Therese Vicary	2,001	2,001
David James Jenkinson	5,001	10,001
Deann Maree Robinson	1,001	1,001
Douglas John Balshaw	2,501	2,501
Gary Harris	3,000	3,000

Note 19. Key management personnel disclosures

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

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

Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	(200,245)	(225,112)

	2009	**2008**
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	603,404	603,404

Note 21. Events occurring after the balance sheet date

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

Note 22. Contingent liabilities

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

Note 23. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo and Adlaide Bank Limited. The economic entity operates in one geographic area being Mundubbera and district, Queensland.

24. Registered office/Principal place of business

The registered office and principal place of business is:

Registered office

54 Lyons Street

Mundubbera QLD 4626

Principal place of business

54 Lyons Street

Mundubbera QLD 4626

Note 25. Financial Instruments

Net fair values

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

Credit risk

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

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

Note 25. Financial Instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	$	$	$	$	$	$	$	$	$	$	%	%
Financial assets												
Cash assets	-	-	-	-	-	-	-	-	-	200	-	-
Receivables	-	-	-	-	-	-	-	-	8,763	3,047	N/A	N/A
Financial liabilities												
Borrowings	276,016	80,407	-	-	-	-	-	-	10,829	10,829	8.471	-
Finance lease	-	-	8,182	-	21,624	-	-	-	-	-	8.097	-
Payables	-	-	-	-	-	-	-	-	2,928	15,448	N/A	N/A

Director’s declaration

In accordance with a resolution of the Directors of Mundubbera 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 2009 and of its performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors’ report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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

Timothy Gerard Duggan
Chairman

Loris Jean Doessel
Director

Signed on 29 September 2009.

Independent audit report

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Chartered Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

To the members of Mundubbera Financial Services Limited

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Independence

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

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Mundubbera Financial Services Limited is in accordance with the Corporations Act 2001 including

   (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;
   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;

2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

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

Auditor's Opinion

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

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

Dated this 29 day of Sept 2009

Mundubbera **Community Bank**® Branch
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Bendigo Bank