

remains with the sector, and to ensure that our financial system remains healthy. The regulations under APRA (the Australia Prudential Regulation Authority) have meant that the Australian banks are very well capitalised and had prudent lending policies, whereas overseas banks did not necessarily reflect this. Our franchise partner, Bendigo and Adelaide Bank limited, is weathering the crisis well, and so this means that our Company business will remain strong. Future earnings will be affected by margin rates as per the previous response, but the Board expects that stabilisation of the Australian interest rates will help this to be kept to a minimum.

What is the impact likely to be on my share price in the Low Volume Market?

Currently the share price for MCFS shares has held the value of recent times, with the last sale price reflecting an increase in the original price of \$1.00 per share. The Board would anticipate that the earnings per share would be a determinant in the sales negotiation between buyers and sellers of shares in MCFS. Further information on share trading in MCFS shares is available from the office on 9274 6833.

I want to make sure we continue to help our community so what support and assistance is available in these more difficult business times?

Whilst we are not currently in a profit position, we still have a firm commitment to our shareholders and to our community, after all, that was part of the original proposal for a Community Bank® in Mundaring. We have elected to continue to support our local community groups by maintaining the EFTPOS facility for registration and enrolment days and for use in local events. This helps greatly with cash flow to small groups. We have also continued our Community Resource Officers' work with local groups, and we will continue to support the community efforts in sport, events and for fundraising with the Mundaring Market stall, general assistance and small grants of less than \$1,000. Once we start to see improvement in the position of the business, we will review our work and implement the right strategy for the community then.



Mundaring Branch



Chidlow Marsupial Hospital

Disclaimer: Please note that the advice provided in relation to shares and the associated activities regarding shares is indicative and educational in nature. This advice does not take the place of professional advice so for specific advice relating to shares and share trading please refer to your own financial or legal advisor. If you require any specific information in relation to your shareholding in Mundaring Community Financial Services Ltd please refer your enquiry to the Board.



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Financial Services Ltd
ABN 63 097 289 677

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Shareholder Focus

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Mundaring Community
Financial Services Ltd



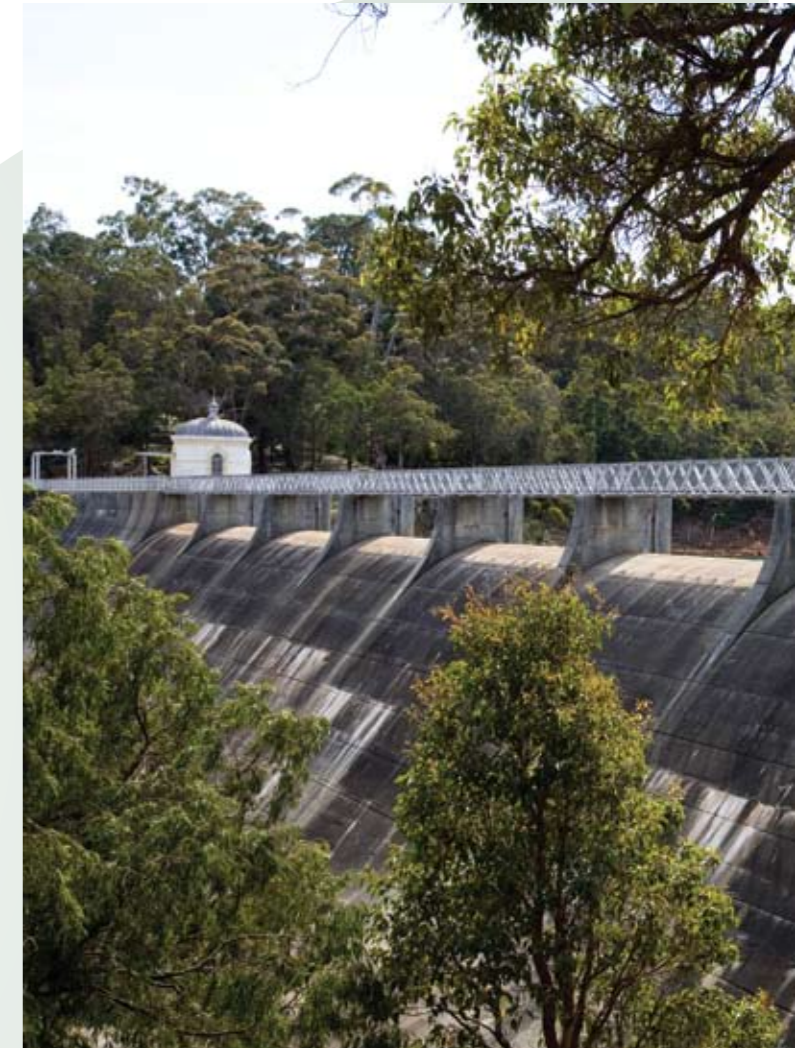
Business outlook

With all the talk about the world economic situation dominating the media, it is timely to look at our position and the local economy. The Board advise that as a result of the current economic situation and specifically the squeeze on margin income, there is a significant drop in forecast profit for the company for the year ending 30 June 2009. The audited results for the six months to 31 December 2008 are considerably below those of the previous half year, with a loss of \$40,951 as opposed to the profit of the previous year of \$138,872. Further detail is enclosed on page 3 of this newsletter for your review.

The Board has been monitoring the situation and has developed strategies to address the unexpected profit fall. Firstly note that the business development activities through the Branch and Bendigo and Adelaide Bank, our franchise partner, are strong and well developed. Staff are working to meet demand for lending and deposits from the community, and we remain strong in our deposit position. Late last year we employed Graeme Samuels to work with Gerry to continue to grow the business and this has been an effective plan that is starting to bear fruit.

The second is that the customer base for the business remains strong and their commitment to the Branch, and to Bendigo and Adelaide Bank, underpins the good results from previous years. Margins are tight and are being squeezed by the rapid fall in the Reserve Bank's cash rates, and this will continue until the rates stabilise. We expect that the stabilisation will happen as the world economic markets settle. Until that time, the margins will remain under pressure.

The third element of the plan to manage through the situation is that we have implemented the Community Investment strategy to ensure that the community support program is still targeted and remains a strong link within our region, but we have reduced our sponsorship pool significantly. This means that community groups seeking support through the Community Resource Officers, EFTPOS



Mundaring Weir

and other assistance is still available, but we are not offering grants or funding for significant projects. Community and sporting groups can still access our support, but we will not be able to offer substantial funds in response to their requests for assistance.

The final element of our plan has been a voluntary reduction in the director's fees to ensure that the cash flow is not overly burdened during this time. Directors have effected the reduction immediately and will continue to monitor the position and review their remuneration periodically. The main aim is to ensure that we maintain services at the Branch with full counters and customer

demand remaining strong. Our business is very successful and we need to ensure that we can support the ongoing service requirements at the branch. We have also aimed not to reduce employment positions within our community side, with our determination to maintain and support our staff, who after all, are very much a part of our community.

I encourage discussion with our shareholders and so if you do have issues that you would like to raise with me, or the Board, about the current business situation, I welcome your call. I will endeavour to assist you. I am happy to see that we remain at the top of the branch list in Western Australia in the customer service standards, with Ann Templeton receiving recognition from Bendigo and Adelaide Bank recently, and this underpins our more positive note in what are difficult economic and business times. We are sharing the difficult circumstances with many other businesses and individuals in our community and I encourage everyone to maintain their optimism and commitment – the strength is there in both the national and local economy, and our franchise partner, Bendigo and Adelaide Bank Ltd continues as a strong second tier financial institution.

Phil I'Dell



Branch Report

The branch is still one of the busiest in the network, with customer service standards being maintained at an excellent level by the staff. I'm always amazed at their capacity and willingness to help customers and I attribute much of our ongoing success to the branch staff's hard work, concern for

customers and their ability to find the right product that meets the expectations and needs of customers. So I do want to thank Ann, Christine, Sam, Taryn, Sandra, Katie and Leah – they are a fantastic team.

Graeme has now settled in and is meeting businesses and customers to develop our business further. Graeme is not yet based at the Midland office, due to delays in the infrastructure, but it is anticipated that he'll be there within the next few weeks and we can work harder on our business development with additional space and facilities. It will also mean that we can make better use of the limited space at the branch.

We have a new Loans Officer, Vincent Fordham Lamont, who has recently joined us. Vin has been working within the Community Bank® network for some time and so is very familiar with the product and systems we use. Vin will be a great asset to the branch and we're pleased to welcome him to the team.

Business has been tough going for the past few months, as everyone is well aware, and our business has been affected by the economic downturn. There is still a lot of good business to develop and we have a strong platform from which to grow. Our margin income has been greatly affected, which you will have read in this newsletter, but we have strong underlying fundamentals which will see our margin and income streams recover once there is stability in the Australian markets, especially once the Reserve Bank is satisfied that it has addressed the challenges facing the economy. I encourage you to keep referring business to the branch and thank you for your ongoing commitment to the business – it is very much appreciated.

Finally, I congratulate Ann Templeton on winning the monthly 'Being the Bendigo Moment' award winner for February. Ann has always offered exceptional service and so it was good to see her recognized by Bendigo and Adelaide Bank formally for her service commitment. Well done, Ann – a great example to the rest of the team!

Gerry Toovey

Frequently Asked Questions

The audited financial statements are reflecting a downturn in business revenues and a loss; what does this mean for our shareholding?

Many businesses are facing tough times with falling revenues. We have experienced a squeeze on our margin income from falling interest rates for deposits and loans, with term deposits at higher interest rates, meaning that the difference is from our profits. We have a good deposit base for our business, meaning that we have a gap between the old, higher rates, and the new rates that will apply once these deposits roll over. We have also experienced a drop in lending, meaning that our income from this area has also fallen. This is reflected across the sector so we are not unusually affected to other businesses, and other Community Bank® companies will share this pain. From a shareholding point of view, the amount of profit we will be able to generate this financial year will be less and this will affect our determination of a dividend to shareholders. In the short term, all companies are facing this issue and the board will certainly consider all aspects of the business in the discussions and decisions for the dividend. The net asset backing per share has reduced slightly but overall the value remains solid.

What are the implications of the current economic circumstances for the company and the future earnings?

Australia is expected to remain one of the few countries to keep national debt levels low and recover as overseas markets recover, especially from our major trading partners. For the financial sector, the Commonwealth government has responded quickly to ensure confidence

> cont. page 4

Mundaring Toy Library



Parkerville Playgroup



Stoneville Volunteer Bushfire Brigade



Mundaring Sharing



MUNDARING COMMUNITY FINANCIAL SERVICES LTD

A.C.N. 097 289 677

SUMMARY OF FINANCIAL RESULTS – HALF YEAR TO 31 DEC 2008

	31 Dec 08 \$	31 Dec 07 \$
Statement of Financial Performance – Income Statement for six months		
Revenue from ordinary activities	686,615	663,629
Employee expense	(353,113)	(272,998)
Depreciation and amortisation expense	(16,476)	(10,841)
Distributions & support to community	(122,111)	(30,018)
Other operating expenses for ordinary activities	(235,866)	(210,900)
Profit / (loss) from ordinary activities	(40,951)	138,872
Income tax benefit (expense)	10,785	(41,175)
Net (loss) profit after income tax	(30,166)	97,697
Statement of Financial Position – Balance Sheet as at 31 December 2008		
Current Assets: Cash and receivables	701,076	824,776
Non-current Assets: equipment and intangibles	170,746	97,526
Total Assets	871,822	922,302
Current & non-current liabilities: Payables and Provisions	(199,618)	(209,424)
Net Assets	672,204	712,878
	Equity:	
Shareholders funds	672,204	712,878
Earnings per share	(5.3) cents	17.3 cents
Net asset backing per share	\$1.19	\$1.26

These are summaries of the financial reports prepared by the directors and reviewed by the auditors.

The principal activity and focus of the Company is the operation of Mundaring **Community Bank®** Branch Bendigo Bank, pursuant to a franchise agreement.

There are about 740 shareholders holding 565,700 shares in the Company.

By order of the Board

Gerard Tonks FCA, FCIS, Company Secretary and Director, 11th March 2009