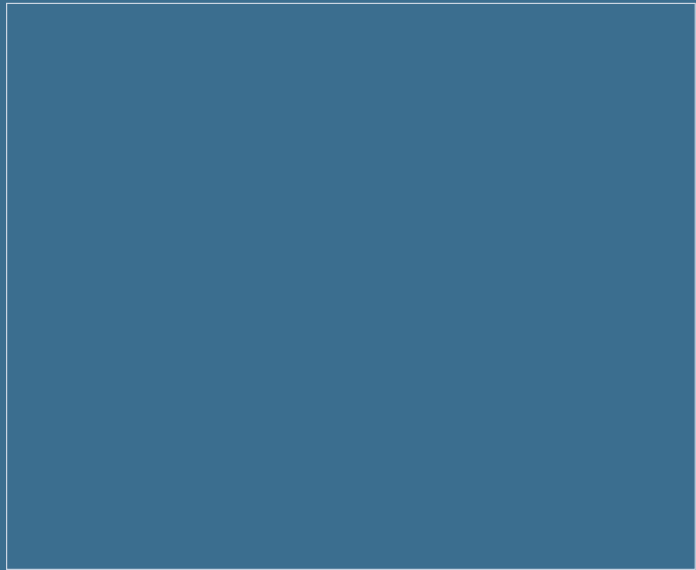
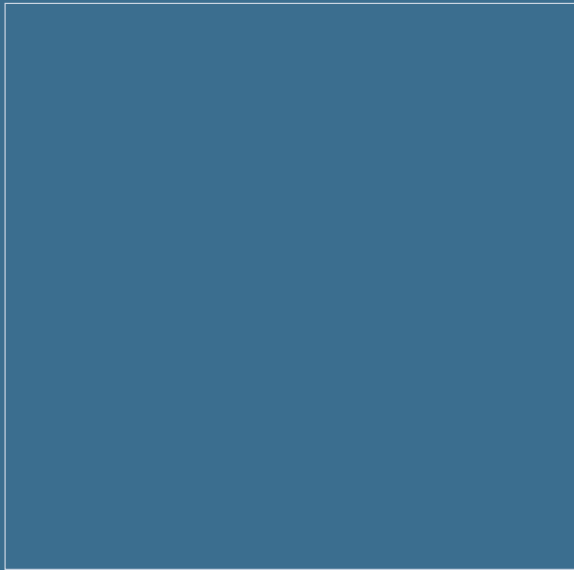


# annual report | 2009



Dimboola & District  
Financial Services Limited  
ABN 77 108 797 324

Dimboola & District **Community Bank**<sup>®</sup> Branch

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# Chairman's report

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For year ending 30 June 2009

I am honoured to again present to the shareholders, the fifth annual report of Dimboola & District Financial Services Limited.

The aforementioned Company is a franchise of Bendigo and Adelaide Bank Ltd and oversees the operations of Dimboola & District **Community Bank**<sup>®</sup> Branch. This document reports the fourth full year of trading.

During this 12 month reporting period we have grown our account base from 1,300 to 1,730, as well as our book from \$23.62 million to \$28.3 million.

## **Directors**

The Directors have all performed to a very high standard with only one change, Monica Revell resigned due to work and family commitments. I thank Monica for her excellent contribution during her two years as a Director. We have chosen not to replace Monica at this time.

Under the constitution three Directors are to retire in rotation. This year Anne Bothe, John Moar and Wayne Elliott have offered themselves for re-election and all have the full endorsement of the Board.

## **Promotions**

We have continued to advertise with the local paper and local radio, holding information sessions at the bowling club, speaking to local organisations, promotions and donations to clubs and organisations as well as two discount fuel days resulting in the general public receiving a discount of 10c per litre on over 10,000 litres of fuel.

## **Milestones**

Our first milestone was to pass \$25 million but I believe our biggest milestone was to continue growing the business during such a complex economic climate, reaching \$28.3 million at 30 June 2009.

## **Regional Office and branch staff**

Bendigo and Adelaide Bank Ltd's Ballarat Regional Office, led once again by Simon Cornwell, still continues to provide us with valuable professional assistance. Our local branch is again staffed by Wayne Anderson (Manager), Janine Sallmann (Customer Relationship Officer) and Customer Service Officers, Melissa Smith, Angie Cox, Robyn Lauricella and Amanda Ingeme.

This stability in the workforce has led to continuity of excellent service in both workplaces.

# Chairman's report continued

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## **Compliance, bookkeeping and accounting**

This area is still being carried out by the same combined efforts of our Company Secretary John Nichols. Book keeper Nikola White of Warrantdyte and accountant David Hutchins of AFS & Associates of Bendigo and all compliance matters have been reported in a timely and professional manner according to proper business management and practice.

## **Community involvement**

We are currently actively involved in promoting blood donations at the Horsham Blood Bank and encourage all residents to donate blood whenever possible.

Our staff and Directors are involved with Meals on wheels, another area of our community commitment.

## **Current financial position and summary**

It has been an interesting year of changing fortunes. The year began with another very disappointing result in the agricultural sector, then the economic crisis resulted in a large fall in interest rates creating an extremely difficult period from December 2008 until March 2009. Our margins then levelled out again from April through to 30 June.

It is at this point that I must commend the efforts of my fellow Directors and especially our great staff, as difficult as the year has been we have still gone against the general business trends and grown the business by \$4.69 million to \$28.3 million, which I believe is a great result.

While still not in profit, and operating on overdraft, we are trading aggressively, and given improving economic conditions the goal of profitability is in sight.

In submitting this report, I thank the shareholders for their continued support and patience, and invite shareholders to attend our AGM on 10 November 2009.



**Kevin Watson**  
**Chairman**

# Manager's report

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For year ending 30 June 2009

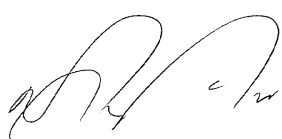
Since our branch opened in December 2004, each year has heralded increased challenges for sustainability of Dimboola & District **Community Bank**<sup>®</sup> Branch. We have faced these head on in our persistent pursuit of profitability. In adverse climatic conditions, together with the flow on from the financial crisis in the United States, our business has continued to grow but the support of the community at large is the key factor to our ultimate success.

This success will facilitate the ability to inject capital into community projects in conjunction with Government grants and initiatives. Whilst we continue to support local sporting and service clubs, schools and the hospital, a larger scheme such as a multi-purpose entertainment complex could indeed become a reality. The only contribution from the community is for more people to experience the Bendigo way of banking.

The friendly and efficient staff at our branch are happy to take the time to confidentially discuss your personal requirements and offer our complete range of banking services. These include access to specialist consultants in agribusiness, insurance, financial planning and business banking.

I take this opportunity to welcome Damian Bryan in his role as District Agribusiness Manager based in Horsham. He comes to Bendigo and Adelaide Bank Ltd with rural expertise and a vast knowledge of Wimmera and Mallee farming culture.

Your **Community Bank**<sup>®</sup> branch is proud to be involved in the growth of Dimboola and the surrounding district, and we look forward to a mutually beneficial partnership with a common goal of viable prosperity.



**Wayne Anderson**

**Manager**

# Directors' report

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For year ending 30 June 2009

Your Directors submit the financial 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:

### **Kevin Allan Watson**

Chairman

Age: 67

Retired

### **John Keith Nichols**

Secretary

Age: 53

Secondary Teacher

### **Phillip Peter Colquhoun**

Director

Age: 51

Business owner

### **Bradley Dean Miles**

Director

Age: 49

Farmer

### **Nicholas Carl Pietsch**

Director

Age: 46

Farmer

### **Wayne Maxwell Elliott**

Director

Age: 54

Locomotive driver

### **Fiona Elizabeth Werner**

Director

Age: 44

Community Development

### **Annie Evelyn Bothe**

Director

Age: 58

Program Project Coordinator

### **John William Moar**

Director

Age: 64

Retired

### **Robert Malcolm John Pyers**

Director

Age: 36

Principal

### **Monica Elise Revell**

Director (Resigned 26 May 2009)

Age: 30

Music Teacher

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

## Company Secretary

The Company Secretary is Mr John Keith Nichols, John has been the Secretary since 18 December 2006. John is currently employed as a secondary school teacher at Dimboola Memorial Secondary College.

# Directors' report continued

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## Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **Community Bank**<sup>®</sup> 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

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 Ltd and in turn Dimboola & District 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**<sup>®</sup> branch. The loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2009 \$	Year ended 30 June 2008 \$
(109,738)	(240,548)

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## Remuneration report

### (a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

### (b) Remuneration of Area and Branch Managers

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meetings as required to discuss performance and remuneration packages.

The Board's policy in respect of the Branch Manager is to maintain remuneration at parity within the **Community Bank**<sup>®</sup> network and local market rates for comparable roles.

There are no executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a Board role.

There are therefore no Specified Executives.

## Dividends

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

# Directors' report continued

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## **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.

## **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 17 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' report continued

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## Directors' meetings

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

	<b>Number of Board meetings eligible to attend</b>	<b>Number attended</b>
Kevin Allan Watson	12	12
John Keith Nichols	12	12
Phillip Peter Colquhoun	12	12
Bradley Dean Miles	12	10
Nicholas Carl Pietsch	12	10
Wayne Maxwell Elliott	12	10
Fiona Elizabeth Werner	12	8
Annie Evelyn Bothe	12	10
John Moar	12	12
Robert Malcolm John Pyers	12	9
Monica Revell (Resigned 26 May 2009)	11	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

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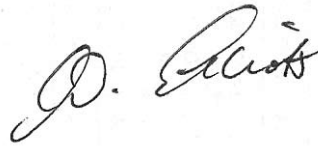
### **Auditors' independence declaration**

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the Board of Directors at Dimboola, Victoria on 5 October 2009.



**Kevin Allan Watson**  
**Chairman**



**Wayne Maxwell Elliott**  
**Director**

# Auditor's independence declaration

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PO Box 454  
Bendigo VIC 3552  
61-65 Bull Street  
Bendigo VIC 3550  
Phone (03) 5443 0344  
Fax (03) 5443 5304  
afs@afsbendigo.com.au  
www.afsbendigo.com.au  
ABN 51 061 795 337

## **Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Dimboola & District Financial Services Limited**

I declare that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

**David Hutchings**

**Auditor**

**Andrew Frewin & Stewart**  
Bendigo Victoria

Dated this 5<sup>th</sup> day of October 2009

# Financial statements

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## Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues from continuing operations	3	221,170	195,620
Salaries and employee benefits expense		(192,844)	(192,893)
Systems cost expense		(23,762)	(24,735)
Advertising and promotion expenses		(10,718)	(15,958)
Occupancy and associated costs		(15,559)	(17,088)
Depreciation and amortisation expense	4	(19,190)	(22,466)
Interest expenses	4	(24,877)	(13,030)
General administration expenses		(43,958)	(45,921)
<b>Loss before income tax credit</b>		<b>(109,738)</b>	<b>(136,471)</b>
Income tax credit	5	-	(104,077)
<b>Loss for the period</b>		<b>(109,738)</b>	<b>(240,548)</b>
<b>Loss attributable to members of the entity</b>		<b>(109,738)</b>	<b>(240,548)</b>
<b>Earnings per share (cents per share)</b>		<b>¢</b>	<b>¢</b>
- basic for profit for the year	20	(20.24)	(44.36)

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash assets	6	150	100
Trade and other receivables	7	25,322	14,292
<b>Total current assets</b>		<b>25,472</b>	<b>14,392</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	40,931	45,381
Intangibles	9	6,000	18,000
Deferred tax assets	10	-	-
<b>Total non-current assets</b>		<b>46,931</b>	<b>63,381</b>
<b>Total assets</b>		<b>72,403</b>	<b>77,773</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Interest bearing liabilities	11	274,640	182,212
Trade and other payables	12	18,558	11,851
Provisions	13	15,360	12,768
<b>Total current liabilities</b>		<b>308,558</b>	<b>206,831</b>
<b>Non-current liabilities</b>			
Provisions	13	5,759	3,118
<b>Total non-current liabilities</b>		<b>5,759</b>	<b>3,118</b>
<b>Total liabilities</b>		<b>314,317</b>	<b>209,949</b>
<b>Net assets</b>		<b>(241,914)</b>	<b>(132,176)</b>
<b>Equity</b>			
Contributed equity	14	517,993	517,993
Accumulated losses	15	(759,907)	(650,169)
<b>Total equity</b>		<b>(241,914)</b>	<b>(132,176)</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		209,932	187,232
Payments to suppliers and employees		(274,901)	(284,055)
Interest on interest bearing liabilities		(24,877)	(13,030)
Interest received		208	690
<b>Net cash outflow from operating activities</b>	<b>16</b>	<b>(89,638)</b>	<b>(109,163)</b>
<b>Cash flows from financing activities</b>			
Payment for property plant & equipment		(2,740)	-
<b>Net cash outflow from financing activities</b>		<b>(2,740)</b>	<b>-</b>
<b>Net decrease in cash held</b>		<b>(92,378)</b>	<b>(109,163)</b>
Cash at the beginning of the financial year		(182,112)	(72,949)
<b>Cash at the end of the financial year</b>	<b>6(a)</b>	<b>(274,490)</b>	<b>(182,112)</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity As at 30 June 2009

	Note	2009 \$	2008 \$
Total equity at the beginning of the period		(132,176)	108,372
Net loss for the period		(109,738)	(240,548)
Net income/expense recognised directly in equity		-	-
<b>Total income and expense recognised by the entity for the year</b>		<b>(109,738)</b>	<b>(240,548)</b>
Dividends provided for or paid		-	-
Shares issued during period		-	-
Costs of issuing shares		-	-
<b>Total equity at the end of the period</b>		<b>(241,914)</b>	<b>(132,176)</b>

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.



# Notes to the financial statements continued

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## 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.

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.

# Notes to the financial statements continued

---

## Note 1. Summary of significant accounting policies (continued)

### **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. 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.

### **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

# Notes to the financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### **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.

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.

# Notes to the financial statements continued

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## Note 1. Summary of significant accounting policies (continued)

### 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.

#### (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 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.

# Notes to the financial statements continued

---

## Note 1. Summary of significant accounting policies (continued)

### **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 Ltd.

### **(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 Ltd mitigates this risk significantly.

## Notes to the financial statements continued

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### Note 2. Financial risk management (continued)

#### **(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd 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 Ltd 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

(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.

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 3. Revenue from ordinary activities</b>		
<b>Operating activities:</b>		
- margin income	95,914	93,921
- services commissions	125,048	101,009
<b>Total revenue from operating activities</b>	<b>220,962</b>	<b>194,930</b>
<b>Non-operating activities:</b>		
- interest received	208	690
Total revenue from non-operating activities	208	690
<b>Total revenues from ordinary activities</b>	<b>221,170</b>	<b>195,620</b>

## Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	1,654	4,930
- leasehold improvements	5,536	5,536
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	<b>19,190</b>	<b>22,466</b>
<b>Borrowing expenses:</b>		
- interest paid	<b>24,877</b>	<b>13,030</b>

## 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:

Operating loss	(109,738)	(136,471)
Prima facie tax on loss from ordinary activities at 30%	(32,921)	(40,941)

## Notes to the financial statements continued

	2009 \$	2008 \$
Note 5. Income tax expense (continued)		
<b>Add tax effect of:</b>		
- non-deductible expenses	3,600	3,600
- timing difference expenses	2,349	1,810
- other deductible expenses	(1,454)	(1,274)
Tax losses not brought to account	29,230	36,805
Write back of deferred tax asset	-	(104,077)
	-	<b>(104,077)</b>
<b>Unrecognised future income tax benefit carried forward is:</b>		
Opening balance	186,452	40,464
Write back from prior years deferred tax asset	-	104,077
Future income tax benefits attributable to losses	29,230	36,805
Deferred tax on provisions	(2,349)	5,106
<b>Closing balance</b>	<b>213,333</b>	<b>186,452</b>

## Note 6. Cash assets

<b>Cash at bank and on hand</b>	<b>150</b>	<b>100</b>
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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	150	100
Overdraft	(274,640)	(182,212)
	<b>(274,490)</b>	<b>(182,112)</b>

## Note 7. Trade and other receivables

Trade receivables	20,801	14,292
Prepayments	4,521	-
	<b>25,322</b>	<b>14,292</b>



## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 8. Property, plant and equipment</b>		
<b>Plant &amp; equipment</b>		
At cost	37,350	34,610
Less accumulated depreciation	(16,562)	(14,908)
	<b>20,788</b>	<b>19,702</b>
<b>Leasehold improvements</b>		
At cost	45,255	45,255
Less accumulated depreciation	(25,112)	(19,576)
	<b>20,143</b>	<b>25,679</b>
<b>Total written down amount</b>	<b>40,931</b>	<b>45,381</b>
<b>Movements in carrying amounts:</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning	19,702	24,632
Additions	2,740	-
Disposals	-	-
Less: depreciation expense	(1,654)	(4,930)
<b>Carrying amount at end</b>	<b>20,788</b>	<b>19,702</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	25,679	31,215
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,536)	(5,536)
<b>Carrying amount at end</b>	<b>20,143</b>	<b>25,679</b>
<b>Total written down amount</b>	<b>40,931</b>	<b>45,381</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 9. Intangible assets</b>		
<b>Franchise fee</b>		
At cost	60,000	60,000
Less: accumulated amortisation	(54,000)	(42,000)
	<b>6,000</b>	<b>18,000</b>

## Note 10. Deferred tax

<b>Deferred tax asset</b>		
• Opening balance	-	104,077
Write back of deferred tax asset	-	(104,077)
• <b>Closing balance</b>	-	-

## Note 11. Interest bearing liabilities

<b>Bank overdraft</b>	<b>274,640</b>	<b>182,212</b>
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Note: The Company has an unsecured \$300,000 overdraft facility which currently attracts a 9.64% interest rate as per agreement with Franchisor - Bendigo and Adelaide Bank Ltd.

## Note 12. Trade and other payables

Trade creditors	7,090	1,344
Other creditors & accruals	11,468	10,507
	<b>18,558</b>	<b>11,851</b>

## Note 13. Provisions

<b>Employee provisions</b>		
<b>Current</b>		
<b>Provisions</b>	<b>15,360</b>	<b>12,768</b>
<b>Non current</b>		
<b>Provisions</b>	<b>5,789</b>	<b>3,118</b>
<b>Number of employees at year end</b>	<b>3</b>	<b>3</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 14. Contributed equity</b>		
542,220 Ordinary shares of \$1 each (2008: 542,220)	542,220	542,220
Less: equity raising expenses	(24,227)	(24,227)
	<b>517,993</b>	<b>517,993</b>

### 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 shareholders of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch 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 Ltd 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).

#### (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.

## Notes to the financial statements continued

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### Note 14. Contributed equity (continued)

#### **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 they control or own 10% or more of the shares in the Company (the “10% limit”).

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 shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder’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.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Note 15. Accumulated losses</b>		
Balance at the beginning of the financial year	(650,169)	(409,621)
Net loss from ordinary activities after income tax	(109,738)	(240,548)
<b>Balance at the end of the financial year</b>	<b>(759,907)</b>	<b>(650,169)</b>

## Notes to the financial statements continued

	2009 \$	2008 \$
<b>Note 16. Statement of cash flows</b>		
Reconciliation of loss from ordinary activities after tax to net cash used in operating activities		
Loss from ordinary activities after income tax	(109,738)	(240,548)
Non cash items:		
- depreciation	7,190	10,466
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- increase in receivables	(11,030)	(4,697)
- decrease in other assets	-	104,077
- increase in payables	6,707	3,572
- increase in other liabilities	5,233	5,967
<b>Net cash flows provided by operating activities</b>	<b>(89,638)</b>	<b>(109,163)</b>

## Note 17. Director and related party disclosures

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

Kevin Allan Watson

John Keith Nichols

Phillip Peter Colquhoun

Bradley Dean Miles

Nicholas Carl Pietsch

Wayne Maxwell Elliott

Fiona Elizabeth Werner

Annie Evelyn Bothe

John Moar

Robert Malcolm John Pyers

Monica Revell (Resigned 26 May 2009)

With the exception of some minor purchases from Director Phillip Colquhoun's business 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.

## Notes to the financial statements continued

### Note 17. Director and related party disclosures (continued)

<b>Directors' shareholdings</b>	<b>2009</b>	<b>2008</b>
Kevin Allan Watson	9,650	10,000
John Keith Nichols	5,000	5,000
Phillip Peter Colquhoun	5,000	5,000
Bradley Dean Miles	7,000	7,000
Nicholas Carl Pietsch	8,000	8,000
Wayne Maxwell Elliott	7,000	7,000
Fiona Elizabeth Werner	6,000	3,000
Annie Evelyn Bothe	5,000	5,000
John Moar	1,000	-
Robert Malcolm John Pyers	-	-
Monica Revell (Resigned 26 May 2009)	250	250

There was no movement in Directors' shareholdings during the year.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>

### Note 18. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	3,400	3,500
- non audit services	1,660	649
	<b>5,060</b>	<b>4,149</b>

### Note 19. Key management personnel disclosures

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

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

## Notes to the financial statements continued

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	2009 \$	2008 \$
<b>Note 20. Earnings per share</b>		
(a) Loss attributable to the ordinary equity holders of the Company used in calculating earnings per share	(109,738)	(240,548)

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	2009 Number	2008 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	542,220	542,220

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### 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**<sup>®</sup> services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being Dimboola and districts of Victoria.

### Note 24. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
92 Lloyd Street, Dimboola VIC 3414	92 Lloyd Street, Dimboola VIC 3414

# Notes to the financial statements continued

## 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.

### Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash assets	-	-	-	-	-	-	-	-	150	100	Nil	Nil
Receivables	-	-	-	-	-	-	-	-	25,322	14,292	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	(274,640)	(182,212)	-	-	-	-	-	-	-	-	9.64	11.05
Payables	-	-	-	-	-	-	-	-	18,558	11,851	N/A	N/A



# Directors' declaration

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

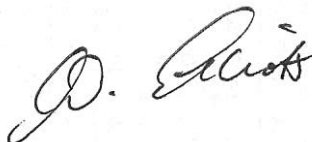
In the opinion of the Directors:

- (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.



**Kevin Allan Watson**  
**Chairman**



**Wayne Maxwell Elliott**  
**Director**

Signed on 5 October 2009.

# Independent audit report

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PO Box 454  
Bendigo VIC 3552  
61-65 Bull Street  
Bendigo VIC 3550  
Phone (03) 5443 0344  
Fax (03) 5443 5304  
afs@afsbendigo.com.au  
www.afsbendigo.com.au  
ABN 51 061 795 337

## INDEPENDENT AUDITOR'S REPORT

To the members of Dimboola & District Financial Services Limited

We have audited the accompanying financial statements of Dimboola & District 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.

# Independent audit report continued

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## 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 Dimboola & District 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 Dimboola & District 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 day 5<sup>th</sup> of October 2009





Dimboola & District **Community Bank**<sup>®</sup> Branch

92 Lloyd Street, Dimboola VIC 3414

Phone: (03) 5389 1999

Franchisee: Dimboola & District Financial Services Limited

92 Lloyd Street, Dimboola VIC 3414

Phone: (03) 5389 1811

ABN: 77 108 797 324

[www.bendigobank.com.au](http://www.bendigobank.com.au)

Bendigo and Adelaide Bank Limited,

The Bendigo Centre, Bendigo VIC 3550

ABN 11 068 049 178. AFSL 237879. (BMPAR9010) (07/09)