

# annual report 2010



Lockhart & District  
Financial Services Limited  
ABN 14 099 918 680

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

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# Chairman's report

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For year ending 30 June 2010

Although the challenges caused by the Global Financial Crisis eased during the 2009/10 financial year there were still some challenges to be met by Lockhart & District **Community Bank**<sup>®</sup> Branch. With our Manager Clare Hamson on maternity leave for most of the year and our Supervisor Natasha Gowland also on maternity leave for half of the period it proved quite a challenge for the branch.

Although our total business portfolio of approximately \$60 million remained the same for the year our profit before tax and community grants was a most pleasing result. The figure is up 29% from last year to \$229,046 and our earnings per share is also up from 10.4 cents last year to 22.4 cents this year.

A big thank you must go to our Relieving Manager Anthony McGettigan who travelled down from Wagga three days a week and did a great job under difficult circumstances. Thanks also to the troops left standing in the branch - Sarah Smyth, Christine Haberecht and Carol Smith who all stepped up doing extra hours to keep the wheels turning.

We also appreciated the help offered by our friends at Wagga and Henty branches with relieving staff when needed.

Overall I am pleased to report that the challenge was met and we came through with flying colours.

## **Community grants**

Our round of grants in October of approximately \$45,000 again went to a varied group of clubs and organisations helping them to improve facilities for the benefit of the community at large. This brings the total of community grants made to approximately \$250,000, truly showing the real benefits of the **Community Bank**<sup>®</sup> concept.

Another round of grants will be made in October this year.

I am pleased to say that your **Community Bank**<sup>®</sup> branch is now in a strong financial position and the Board is very keen to fund a major project for the benefit of the whole community. This may be in conjunction with our local council and /or both state and federal governments. Any suggestions for such a project would be most welcome.

## **Board changes**

In June this year Directors reluctantly accepted the resignation of Bob Kendell from the Board. Bob has been a Director since the inception of the Board in 2002 and his contribution is greatly appreciated.

On the positive side however I am very pleased to welcome Warren Jones, who was appointed to the Board in April. Warren and his wife Ursula were both members of the original steering committee and worked hard towards the establishment of our **Community Bank**<sup>®</sup> branch. I am sure Warren will prove to be a valuable member of our Board.

# Chairman's report continued

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## Dividend

The Board have declared a dividend of 9% for the 2009/2010 year which will be paid to shareholders in November. As we are now in a position of accumulated profit this dividend will be fully franked.

Since reaching profitability in our third year of operation dividends paid is as follows:

Financial year	Cents per share	Total distribution
2005/2006	5	\$ 27,500
2006/2007	8	\$ 44,000
2007/2008	9	\$ 49,500
2008/2009	9	\$ 49,500
2009/2010	9	\$49,500
<b>Total dividends paid to shareholders</b>		<b>\$220,000</b>

## Acknowledgment plaques

We are currently attaching plaques throughout the district to items or equipment obtained from our Community Grants. The wording on these plaques acknowledges that it was provided by the customers of Lockhart & District **Community Bank**® Branch. This wording is to highlight the fact that it is our customers who support the bank with their banking business, which ultimately helps to support the community in so many ways.

## The future

Looking to the future we will soon be increasing our staff numbers and rearranging roles to provide assistance to our Manager Clare in loan processing thus allowing her more time to get out and about and grow the business.

We are also looking to expand our business in Rand and The Rock and to this end we have had initial information meetings in both these towns.

As always I wish to extend my appreciation to my fellow Board members for their efforts throughout the year and for the many voluntary hours of work they put in to ensure the smooth running of our community enterprise.

Welcome back Clare and we look forward to a successful year ahead in 2010/2011.



**Shane Trotter**  
**Chairman**

# Manager's report

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For year ending 30 June 2010

2010 has again seen your **Community Bank**<sup>®</sup> branch record another very successful year of results and it is my pleasure to report that we have maintained our level of \$60 million in branch banking business. This is despite some challenging economic and climatic conditions which have affected us all during the 2010 financial year.

Your branch continues to grow, through an increase in customer numbers and profitability, as local people continue to see the benefits of having a local bank that is closely tied to its community. They also see that traditional banking is a more sustainable model in helping secure a prosperous future for our community.

This in turn will see further funds distributed throughout your local community this year. Your **Community Bank**<sup>®</sup> branch will celebrate its 8th birthday in October this year, and will announce the successful recipient organisations of the annual grants program at this time. This is in addition to the ongoing sponsorship support we continue to provide to community groups, clubs and organisations throughout the year.

I would also like to take this opportunity to say some thank you's as well.

Firstly, to the staff. The efforts of the staff cannot be underestimated, as they strive to not only help meet your financial needs, but also to create a friendly and welcoming atmosphere every time you do your banking. A big thank you to Natasha Gowland, Sarah Smyth, Christine Haberecht and Carol Smith for their great efforts during the past 12 months, and congratulations also to Clare and Natasha on the additions to their respective families during the past year. Thank you also to the relief staff provided by our friends at Wagga and Henty branches, who helped out during the year.

Secondly, to our Regional Manager Tim Butt, Senior Business Banking Manager John Norman, Agribusiness Manager John Walton and their Support Officers based in our regional office in Wagga Wagga, who should also be commended for their contribution to our great results this year. They have helped our branch secure new business customers, as well as provide excellent service and support to our existing business banking customers.

I would also like to thank the Board of Directors for their support throughout the past year, and the opportunity they provided in allowing me to be the relieving Manager of your branch during Clare's absence. Working for a **Community Bank**<sup>®</sup> branch as a Director is very rewarding but is also a lot of volunteer time and hard work. Our Directors are great advocates for our **Community Bank**<sup>®</sup> branch, and have given a lot of their time for meetings, conferences and other community-based events in their efforts to further improve your bank and local communities.

Finally, but just as importantly, to the customers and shareholders of Lockhart & District **Community Bank**<sup>®</sup> Branch, for without your support we wouldn't exist. I do appreciate the way you made me feel welcome into your community, and hope you continue to see the benefits of banking locally.

I hope you all can continue in your support of your **Community Bank**<sup>®</sup> branch and Clare can report on another successful year of results and achievements for your branch in 2011.

**Anthony McGettigan**

**Relieving Branch Manager**

## Manager's report continued

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In addition to Anthony's report, as the returning Branch Manager of Lockhart & District **Community Bank**<sup>®</sup> Branch I would like to sincerely thank Anthony for being our relief Manager for the past 9½ months while I was on maternity leave. It's great to see another excellent profit result for the 2010 financial year.

It is also great to return to the branch to a happy team of hard working staff and loyal customers where we will work together towards another successful year for our **Community Bank**<sup>®</sup> branch.

Due to the increased level of business that has been achieved already since my return to the branch we are looking forward to increasing our staff numbers in the new financial year and promoting existing staff member, Sarah Smyth, to a Customer Relationship Officer position. This will allow her to assist me in processing loan applications for customers.

Please remember the more support our branch receives from our existing and new customers, the more our local community will benefit, allowing your **Community Bank**<sup>®</sup> branch to support more major projects and sponsorships in the future.



**Clare Hamson**  
**Branch Manager**

# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2010

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

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

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

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

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

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

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

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

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

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

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

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

## Bendigo and Adelaide Bank Ltd report continued

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

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



**Russell Jenkins**

**Executive Customer and Community**



# Directors' report

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For the financial year ended 30 June 2010

The Directors present their report together with the accounts of Lockhart & District Financial Services Limited for the year ended 30 June 2010.

## Directors

The names of Directors who held office during or since the end of the year are:

Philip James Bouffler	Heidi Eveline Gooden
Trevor Howard Day	Christine Gay Mackey
Kenneth John Hogan	Shane Cornell Trotter
Robert Henry Kendell	Marea Katherine Urquhart

## Principal activities

The principle activities of the Company during the course of the financial period were in providing **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

## Result

The net profit of the Company for the financial year after provision for income tax was \$123,302 (2009 \$55,215).

## Short and long term objectives

Our short term objective is to continue to offer **Community Bank**<sup>®</sup> services to the Lockhart and district community. Our long term objective is to achieve increased returns for shareholders and further support the community through various sponsorship arrangements.

## Key performance indicators

Key performance indicators used by the Company to monitor performance include:

- Monthly financial accounts, budgets and forecasts
- Monthly revenue analysis
- Monthly reports from Bendigo and Adelaide Bank Ltd.

## Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the reporting period 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.

## Directors' report continued

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### Directors interests and benefits

Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) because of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest.

### Auditor's Independence Declaration

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

Dated at Wagga Wagga 27 August 2010.

Signed in accordance with a resolution of the Directors:



**S C Trotter**  
**Director**

## Monthly meeting attendance of Board of Directors

Including Annual General Meeting

<b>Board Member</b>	<b>Number of meetings eligible to attend</b>	<b>Number actually attended</b>
Shane Trotter	12	10
Philip Bouffler	12	11
Christine Mackey	12	12
Heidi Gooden	12	12
Kenneth Hogan	12	12
Marea Urquhart	12	9
Robert Kendell	12	10
Trevor Day	12	8
Warren Jones	3	3

# Auditor's independence declaration

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## **AUDITORS INDEPENDENCE DECLARATION**

As lead auditor for the audit of Lockhart & District Financial Services Limited for the year ended 30 June 2010, 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.

**John L Bush & Campbell**  
**Chartered Accountants**



**Peter King**  
**Partner**

**Wagga Wagga**  
**27 August 2010**

# Financial statements

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## Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenues from ordinary activities	2	552,043	529,437
Employee expenses		(196,355)	(211,126)
Administration expenses		(113,257)	(120,711)
Depreciation and amortisation		(20,953)	(20,418)
Sponsorship		(45,289)	(98,304)
<b>Net profit from ordinary activities before income tax expense</b>		<b>176,189</b>	<b>78,878</b>
Income tax expense relating to ordinary activities	3	52,857	23,663
Net profit from ordinary activities after related income tax expense		123,332	55,215
<b>Total change in equity other than those resulting from transactions with owners as owners</b>		<b>123,332</b>	<b>55,215</b>
<b>Earnings per share</b>		<b>22.42 cents</b>	<b>10.04 cents</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash	5	381,101	239,107
Receivables	6	51,522	50,365
Other financial assets	7	2,776	5,870
<b>Total current assets</b>		<b>435,399</b>	<b>295,342</b>
<b>Non-current assets</b>			
Property, plant & equipment	9	174,754	182,565
Other financial assets	7	28,866	40,866
Deferred tax asset	8	5,000	-
<b>Total non-current assets</b>		<b>208,620</b>	<b>223,431</b>
<b>Total assets</b>		<b>644,019</b>	<b>518,773</b>
<b>Current liabilities</b>			
Payables	10	39,473	16,053
Provisions	11	9,438	14,217
Tax liabilities	12	38,025	7,025
<b>Total current liabilities</b>		<b>86,936</b>	<b>37,295</b>
<b>Non current liabilities</b>			
Provisions	11	7,454	5,680
<b>Total non current liabilities</b>		<b>7,454</b>	<b>5,680</b>
<b>Total liabilities</b>		<b>94,390</b>	<b>42,975</b>
<b>Net assets</b>		<b>549,629</b>	<b>475,798</b>
<b>Equity</b>			
Contributed equity	13	550,009	550,009
Retained profits	14	(380)	(74,211)
<b>Total equity</b>		<b>549,629</b>	<b>475,798</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		596,834	574,698
Cash payments in the course of operations		(399,198)	(490,323)
<b>Net cash used by operating activities</b>	<b>15(ii)</b>	<b>197,636</b>	<b>84,375</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(1,141)	(6,119)
Purchase of shares		(5,000)	-
<b>Net cash used in investing activities</b>		<b>(6,141)</b>	<b>(6,119)</b>
<b>Cash flows from financing activities</b>			
Payment of dividends		(49,501)	(49,501)
<b>Net cash used in financing activities</b>		<b>(49,501)</b>	<b>(49,501)</b>
<b>Net increase / (decrease) in cash held</b>		<b>141,994</b>	<b>28,755</b>
Cash at the beginning of the financial year		239,107	210,352
<b>Cash at the end of the financial year</b>	<b>15(i)</b>	<b>381,101</b>	<b>239,107</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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

	Economic entity		
	Issued capital \$	Retained earnings \$	Total \$
Balance as at July 1 2008	550,009	(79,925)	470,084
Profit for period		55,215	55,215
Dividend paid		(49,501)	(49,501)
<b>Balance as at June 30 2009</b>	<b>550,009</b>	<b>(74,211)</b>	<b>475,798</b>
Profit for period		123,332	123,332
Dividend paid		(49,501)	(49,501)
<b>Balance as at June 30 2010</b>	<b>550,009</b>	<b>(380)</b>	<b>549,629</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2010

## Note 1 Statement of significant accounting policies

The significant policies that have been adopted in the presentation of these financial statements are:

### (a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Accounting Standards, other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on the basis of historical costs and does not take into account changing money values nor current valuations of the non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

### (b) Income tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a deferred tax asset.

Deferred tax assets are not brought to account unless it is probable that the benefit will be realised.

### (c) Property, plant and equipment

Freehold land and buildings are brought to account on the cost basis.

Plant and equipment are measured on the cost basis.

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity.

The depreciation rates used for each class of depreciable assets are:

<b>Class of fixed asset</b>	<b>Depreciation rate</b>
Buildings	2.5%
Plant and equipment	20-40%

### (d) Intangibles

#### Franchise fees

The Company has entered into a five year franchise agreement with Bendigo and Adelaide Bank Ltd for an initial 5 year term.



# Notes to the financial statements continued

## Note 1 Statement of significant accounting policies (continued)

### (e) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Contributions are made by the Company entity to employee superannuation funds and are charged as expenses when incurred.

### (f) Revenue

Revenue from the rendering of service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

### (g) Comparative figures

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

	2010 \$	2009 \$
<b>Note 2 Revenue</b>		
<b>Operating activities</b>		
Fees	44,053	42,619
Gross margin	264,069	241,957
Trailers	181,762	180,206
Upfront commission	3,848	3,606
Market development	50,000	50,000
	<b>543,732</b>	<b>518,388</b>
<b>Non-operating activities</b>		
Interest	8,311	11,049
	<b>552,043</b>	<b>529,437</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 3 Income tax expense</b>		
The prime false tax on profit ordinary activities before income tax at 30%	52,857	23,663
	<b>52,857</b>	<b>23,663</b>

## Note 4 Profit from ordinary activities

Profit from ordinary activities before income tax has been determined after:

### (a) Expenses

Amortisation of intangibles	12,000	12,000
Auditors remuneration - auditing accounts	6,850	6,200
Auditors remuneration - other services	5,750	
Depreciation of non-current assets	8,952	8,418

## Note 5 Cash assets

Cash at bank	381,101	239,107
	<b>381,101</b>	<b>239,107</b>

## Note 6 Receivables

Trade debtors	51,522	50,365
	<b>51,522</b>	<b>50,365</b>

## Note 7 Other financial assets

### Current

Prepayments	2,776	5,870
	<b>2,776</b>	<b>5,870</b>

### Non-current

Current franchise fee	60,000	60,000
Less: accumulated amortisation	(31,134)	(19,134)
	<b>28,866</b>	<b>40,866</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
<b>Note 8 Other financial assets</b>		
<b>Southern Agventure shares - at cost</b>	<b>5,000</b>	-

## Note 9 Property, plant and equipment

Land - at cost	27,258	27,258
Buildings - at cost	154,337	154,337
Less: accumulated depreciation	(29,960)	(26,049)
	<b>124,377</b>	<b>128,288</b>
Plant and equipment - at cost	86,265	85,124
Less: accumulated depreciation	(63,146)	(58,105)
	<b>23,119</b>	<b>27,019</b>
	<b>174,754</b>	<b>182,565</b>

### (b) Movement in carrying amounts

	Freehold land \$	Building \$	Plant & equipment \$	Total \$
Balance at the beginning of year	27,258	154,337	85,124	266,719
Additions	-	-	1,141	1,141
Depreciation	-	(29,960)	(63,146)	(93,106)
<b>Balance at the end of year</b>	<b>27,258</b>	<b>124,377</b>	<b>23,119</b>	<b>174,754</b>

	2010 \$	2009 \$
<b>Note 10 Payables</b>		
Trade creditors	25,457	13,186
GST payable	14,016	2,867
	<b>39,473</b>	<b>16,053</b>

## Notes to the financial statements continued

	2010 \$	2009 \$
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### Note 11 Provisions

#### Current

Employee entitlements	9,438	14,217
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#### Non-current

Employee entitlements	7,454	5,680
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### Note 12 Tax liabilities

Provisions for Income tax	36,597	2,764
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Deferred tax liability	1,428	4,261
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	<b>38,025</b>	<b>7,025</b>
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### Note 13 Contributed equity

<b>550,009 fully paid ordinary shares</b>	<b>550,009</b>	<b>550,009</b>
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### Note 14 Retained profits

Retained profits at the beginning of the financial year	(74,211)	(79,925)
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Net profit / (loss) from ordinary activities	123,332	55,215
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Dividend paid	(49,501)	(49,501)
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<b>Retained profits at the end of the financial year</b>	<b>(380)</b>	<b>(74,211)</b>
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### Note 15 Cash flow information

#### (i). Reconciliation of cash

For the purpose of the statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial performance as follows:

<b>Cash at bank</b>	<b>381,101</b>	<b>239,107</b>
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## Notes to the financial statements continued

	2010 \$	2009 \$
Note 15 Cash flow information (continued)		
<b>(ii). Reconciliation of operating profit to net cash used in operating activities:</b>		
Profit / (loss) for year:	123,332	55,215
Non cash flows recored in ordinary activities		
Amortisation	12,000	12,000
Depreciation	8,952	8,418
Net cash provided / (used) in operating activities before changes in assets and liabilities during the year		
(Increase) / decrease in other assets	3,094	(314)
(Increase) / decrease in receivables	(1,157)	(6,984)
(Increase) / decrease in tax assets	-	2,250
Increase / (decrease) in payables	23,420	771
Increase / (decrease) in tax liabilities	31,000	7,025
Increase / (decrease) in provisions	(3,005)	5,994
<b>Net cash used in operating activities</b>	<b>197,636</b>	<b>84,375</b>

## Note 16 Segment reporting

The economic entity operates predominately in one business and geographical segment being the provision of finance services.

## Note 17 Related party transactions

There were no related party transactions between the Company and Directors during the year.

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

Philip James Bouffler	Christine Gay Mackay
Trevor Howard Day	Heidi Eveline Gooden
Kenneth John Hogan	Shane Cornell Trotter
Robert Henry Kendall	Marea Katherine Urquhart

# Notes to the financial statements continued

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## Note 18 Company details

The registered office of the Company is:

Lockhart & District Financial Services Limited  
98 Green Street,  
Lockhart NSW 2656.

## Note 19 Financial instruments

### **Financial risk management**

The Company's activities expose it to a variety of financial risks including credit, interest rate and liquidity risks. The Company does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risks. Further, due to the nature of the Company's investments and other financial instruments it is not exposed to significant price risks.

### **Fair values**

The carrying amounts and estimated fair values of financial assets and financial liabilities held at balance date are the same.

### **Market risk – sensitivity analysis**

The Company's financial assets which are subject to interest rate risk comprise cash on hand, at bank and on call, and term deposits which are generally short term and are held to maturity. Therefore the Company does not consider that a change in risk variable (interest) would have a significant effect on profit or equity.

### **Credit risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash or credit facilities to meet the operating requirements of the Company. This is managed through committed undrawn facilities and prudent cash flow management.

The exposure to interest rate risk, which is the risk that a financial instruments will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of consolidated financial assets and financial liabilities, is as follows:

## Notes to the financial statements continued

### Note 19 Financial instruments (continued)

#### Liquidity risk (continued)

	Weighted average interest rate		Floating interest rate		Non-interest bearing		Total	
	2010 %	2009 %	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
<b>Financial assets</b>								
Cash at bank	4.10	4.95	381,101	239,107			381,101	239,107
Receivable assets					51,522	50,365	51,522	50,365
<b>Total financial assets</b>			<b>381,101</b>	<b>239,107</b>	<b>51,522</b>	<b>50,365</b>	<b>432,623</b>	<b>289,472</b>
<b>Financial liabilities</b>								
Payables					39,473	16,053	39,473	16,053
<b>Total financial liabilities</b>					<b>39,473</b>	<b>16,053</b>	<b>39,473</b>	<b>16,053</b>

# Directors' declaration

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The Directors of the Company declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001:
  - a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and economic entity;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**S C Trotter**  
**Director**

Dated 27 August 2010.



# Independent audit report

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## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**

### **LOCKHART AND DISTRICT FINANCIAL SERVICES LIMITED**

#### **Report on the Financial Report**

We have audited the accompanying financial report of Lockhart and District Financial Services Limited, which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and 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 establishing and maintaining internal control 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.

#### **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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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.

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 complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Lockhart and District financial Services Limited would be in the same terms if provided to the directors as at the date of this auditor's report.

## Independent audit report continued

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### **Auditor's Opinion**

In our opinion,

- a. the financial report of Lockhart and District Financial Services Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

**JOHN L BUSH & CAMPBELL**  
**Chartered Accountants**



**Peter King**  
**Partner**

**Wagga Wagga**  
**27 August 2010**







Lockhart & District **Community Bank**<sup>®</sup> Branch  
98 Green Street, Lockhart NSW 2656  
Phone: (02) 6920 4244

Franchisee: Lockhart & District Financial Services Limited  
98 Green Street, Lockhart NSW 2656  
ABN: 14 099 918 680

[www.bendigobank.com.au/lockhart](http://www.bendigobank.com.au/lockhart)  
Bendigo and Adelaide Bank Limited,  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879.  
(BMPAR10056) (09/10)