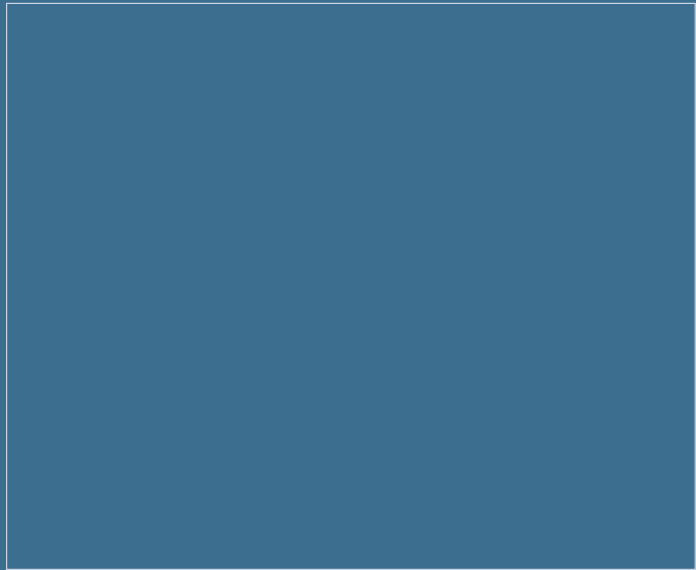
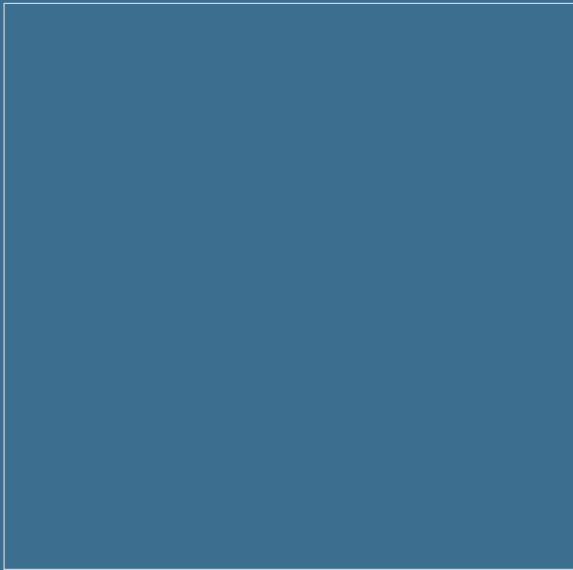


annual report | 2009



Lockmore Financial
Services Limited
ABN 41 106 113 599

Elmore/Lockington & Districts **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2009

I am pleased to present the Chairman's report for the sixth Annual General Meeting of Lockmore Financial Services Ltd.

Although the past 12 months have been extremely difficult globally, in financial and economic terms, we have seen total banking business grow to \$65 million. Whilst the business split is still approximately two thirds Elmore, one third Lockington, the difficult times faced by the Dairy Industry is starting to be reflected in this split. Scrutiny of the Financial Report reveals strong growth of the whole business, resulting in a significant surplus and a net profit of \$61,274. We were pleased to return a dividend of eight cents per share in December 2008.

The 2008/2009 financial year has seen the implementation of our \$20,000 sponsorship program. The Board has been pleased to support a range of initiatives and some examples include: score cards for Lockington Golf Club, hats & caps for Elmore Cricket Club, polo shirts for Elmore Senior Citizens, sponsorship of the Lockington Community Car, Sunshade for Rochester United Cricket Club and more. Shareholders will notice the proliferation of signage around the local area, demonstrating the diversity of requests supported and the promotion of the business in the districts. We conclude that the program has been very successful and anticipate another busy year ahead in this area.

Our branches both celebrated their 5th birthdays during the year, and so the Board decided to celebrate this milestone in style with our shareholders. In spite of the extreme January temperatures, a crowd of 150 enjoyed a first class evening of fine food, wine and entertainment by celebrity Denise "Ding Dong" Drysdale.

January also saw us farewell staff member Laura Hopkins, to pursue a teaching career, and we wish her well in her endeavours. Wendy Wright has joined the team, in the Lockington branch, and we trust she will enjoy her time with us. I would like to thank our dedicated staff, Claire Connaughton, Helen McCaskie, Tanya Niven, Rachel Baker, Julie Sebire, Wendy Wright, and Kristy Nihill (our dedicated Marketing Officer) ably led by Manager Andre Clayton. You are an integral part of the business and have served the local communities with distinction over the past year.

This year saw the Board formally adopt the Community Fuel Project. Recent months have seen the Board working through due diligence on this important community venture. We look forward to a positive outcome on this in the next 12 months.

We farewelled Leanne Pentreath at the 2008 AGM after 5 years of service to the Board. I would like to thank her for her efforts as Treasurer, as well as serving on the Audit and Marketing subcommittees. We wish her all the best for her future endeavours.

This year we welcomed Martin Leddra as a Board Member to Lockmore Financial Services. Martin comes with a legal background and I am sure will become a valuable contributor to the Board.

All Board Members have been active throughout the year, attending Director Training as well as attending bank functions and meetings. Their efforts clearly indicate their commitment to this Community Company.

Chairman's report continued

Special thanks to Helen O'Sullivan (Company Secretary) and Corrie Holmberg (Treasurer) for their outstanding contributions throughout this past year. Without their dedication and commitment the job as Chairman would be far more onerous than it is. All Board members are very proud of their efforts, as should all shareholders be.

As the Elmore/Lockington & Districts **Community Bank**[®] Branch continues to grow, we can expect to see further Community contributions and shareholder dividends. By continuing to support the **Community Bank**[®] branch with your banking business we will see further growth across the two branches and therefore both communities.

Bank with us and everybody benefits!

A handwritten signature in black ink, appearing to read 'David Johnson', with a long horizontal flourish extending to the right.

David Johnson

Chairman

Manager's report

For year ending 30 June 2009

Welcome to our 6th annual report.

This past financial year has been another successful year for your **Community Bank®** branch.

From very humble beginnings we are continuing to grow and both you, the shareholder, and Elmore and Lockington Districts, are sharing the rewards.

At 30 June 2009, our total business balance was \$68.57 million. This is an increase of \$10.306 million and represents growth of 15.03% for the past financial year. Deposits grew by \$3.372 million or 8.6% and Lending grew by \$5.417 million or 18.43%.

We now have 3318 bank accounts; with 286 new customers coming on board during the year. This is a fantastic result as it shows, even after five full years of trading, there are still customers out there coming over to experience banking the 'Bendigo Way'.

In January we said farewell to staff member Laura Hopkins. After eighteen months it was sad to see her leave, as she was a valued member of our team.

In February we welcomed Wendy Wright to our 'family'. Wendy will be well known to the Lockington Community and we look forward to her working with us for many years to come.

Twelve months on and from a banking perspective, the Bio Diesel (Community Fuel) project continues to amaze me. This past year has seen us gain customers from Serpentine, Dingee, Calivil and East Loddon. These banking relationships have only come about due to the Community Fuel project. It certainly highlights how far the Community Fuel project has spread its wings and the positive impact on our branches.

It is also encouraging to hear Community Fuel users, who currently bank elsewhere, mention to me "I am unable to change my banking over at the moment; however, by swapping my fuel over, I know I am supporting the Community now".

On behalf of the staff, our sincere thanks go to the Board of Lockmore Financial Services Limited. You are extremely lucky to have such a dedicated and hard working team looking after us and the Community.

In conclusion, I thank the Community for their continued support. In five short years we certainly have come a long way. May the next twelve months see us continue to prosper and grow.



Andre Clayton.
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

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

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

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

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

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

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

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

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



Russell Jenkins
Chief General Manager

Directors' report

For year ending 30 June 2009

Your Directors submit 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:

David John Johnson

Chairman

Age: 41

Occupation: Farmer

Corinne Gaye Holmberg

Treasurer

Age: 60

Occupation: Administrator

David Thomas Trewick

Director

Age: 38

Occupation: Farmer

Graeme Trevor Wood

Director

Age: 53

Occupation: Farmer

Christine Joy Weller

Director

Age: 45

Occupation: Office Administrator

Leanne Margaret Pentreath

Director (Resigned 23 October 2008)

Age: 46

Occupation: Business Proprietor

Helen Dianne O'Sullivan

Secretary

Age: 56

Occupation: Teacher

Louise Frances Ross

Director

Age: 42

Occupation: Centre Manager

Maxwell John Williams

Director

Age: 60

Occupation: Farmer

Jennifer Anne Dobell

Director

Age: 35

Occupation: Manager

Martin John Leddra

Director (Appointed 2 March 2009)

Age: 62

Occupation: Solicitor

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

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

Company Secretary

The Company Secretary is Helen O'Sullivan. Helen O'Sullivan was appointed to the position of Secretary on the 25 June 2003. Helen holds a Bachelor of Education with thirty years experience. She has been president for seven years of a local association and has held several other committee positions.

Directors' report continued

Principal activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was:

Year ended 30 June 2009	Year ended 30 June 2008
\$	\$
61,274	98,323

Dividends

	Year ended 30 June 2009	
	Cents	\$
Dividend paid in the year:	8	57,600

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' report continued

Directors' benefits

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

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

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

	Number of Board meetings eligible to attend	Number attended
David John Johnson	11	11
Helen Dianne O'Sullivan	11	11
Corinne Gaye Holmberg	11	10
Louise Frances Ross	11	11
David Thomas Trewick	11	10
Maxwell John Williams	11	10
Graeme Trevor Wood	11	9
Jennifer Anne Dobell	11	7
Christine Joy Weller	11	11
Martin John Leddra (Appointed 2 March 2009)	4	4
Leanne Margaret Pentreath (Resigned 23 October 2008)	4	2

Directors' report continued

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.

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 Elmore, Victoria on 14 August 2009.



David John Johnson
Chairman



Corinne Gaye Holmberg
Treasurer

Auditor's independence declaration



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ABN 51 061 795 337

AUDITOR'S INDEPENDENCE DECLARATION

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

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

This declaration is in respect of Lockmore Financial Services Limited.

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

Dated this 14 day of August 2009

Financial statements

Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues from ordinary activities	3	587,173	565,541
Salaries and employee benefits expense		(235,265)	(222,485)
Systems costs		(38,603)	(40,066)
Charitable donations, sponsorship, advertising & promotion		(56,261)	(25,297)
Occupancy and associated costs		(29,767)	(26,979)
Depreciation and amortisation expense	4	(28,028)	(26,961)
General administration expenses		(112,970)	(91,254)
Profit before income tax expense		86,279	132,499
Income tax expense	5	(25,005)	(34,176)
Profit for the period		61,274	98,323
Profit attributable to members of the entity		61,274	98,323
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	8.5	13.66
- dividends paid per share	19	8	7.5

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
Assets			
Current assets			
Cash assets	6	363,537	427,812
Receivables	7	53,723	43,081
Total current assets		417,260	470,893
Non-current assets			
Property, plant and equipment	8	113,823	93,342
Intangibles	9	60,830	5,000
Deferred tax assets	10	4,509	29,514
Total non-current assets		179,162	127,856
Total assets		596,422	598,749
Liabilities			
Current liabilities			
Payables	11	18,759	18,078
Interest bearing liabilities	12	13,966	8,873
Provisions	13	15,806	17,097
Total current liabilities		48,531	44,048
Non-current liabilities			
Interest bearing liabilities	12	-	13,966
Provisions	13	6,728	3,246
Total non-current liabilities		6,728	17,212
Total liabilities		55,259	61,260
Net assets		541,163	537,489
Equity			
Contributed equity	14	690,457	690,457
Accumulated losses	15	(149,294)	(152,968)
Total equity		541,163	537,489

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		618,311	587,491
Payments to suppliers and employees		(528,390)	(452,155)
Interest received		18,083	20,538
Interest paid		(1,468)	(2,187)
Net cash provided by operating activities	16	106,536	153,687
Cash flows from investing activities			
Payments for property, plant and equipment		(35,476)	-
Payments for intangible assets		(68,862)	-
Net cash used in investing activities		(104,338)	-
Cash flows from financing activities			
Repayment of borrowings		(8,873)	(8,211)
Payment of dividends		(57,600)	(54,000)
Net cash used in financing activities		(66,473)	(62,211)
Net increase in cash held		(64,275)	91,476
Cash at the beginning of the financial year		427,812	336,336
Cash at the end of the financial year	6(a)	363,537	427,812

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	Note	2009 \$	2008 \$
Total equity at the beginning of the period		537,489	493,166
Net profit for the period		61,274	98,323
Net income/expense recognised directly in equity		-	-
Total profit recognised by the entity		598,763	591,489
Dividends provided for or paid		(57,600)	(54,000)
Shares issued during period		-	-
Costs of issuing shares		-	-
Total equity at the end of the period		541,163	537,489

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

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.

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

Intangibles

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Notes to the financial statements continued

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.

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 where the instrument.

Financial instruments are classified and measured as set out below.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Financial Instruments (continued)

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements continued

Note 2. Financial risk management (continued)

(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.

(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 shareholder. 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 shareholder 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 shareholder 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 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	543,618	541,205
- fuel project	19,494	-
- other	442	1,053
Total revenue from operating activities	563,554	542,258
Non-operating activities:		
- interest received	23,619	23,283
Total revenue from non-operating activities	23,619	23,283
Total revenues from ordinary activities	587,173	565,541

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	9,439	9,832
- leasehold improvements	5,557	5,129
Amortisation of non-current assets:		
- franchise agreement	13,032	12,000
	28,028	26,961
Finance costs:		
- interest paid	1,468	2,186
Bad debts	-	96

Note 5. Income tax expense

The components of tax expense comprise:

- Current tax	-	-
- Deferred tax on provisions	4,449	(6,755)
- Recoupment of prior year tax losses	20,556	40,931
	25,005	34,176

Notes to the financial statements continued

	Note	2009 \$	2008 \$
Note 5. Income tax expense (continued)			
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		86,279	132,499
Prima facie tax on profit from ordinary activities at 30%		25,884	39,750
Add tax effect of:			
- non-deductible expenses		3,929	3,600
- timing difference expenses		(2,298)	(646)
- other deductible items		(1,773)	(1,773)
- investment allowance		(5,187)	-
Current tax		20,556	40,931
Movement in deferred tax	10.	4,449	(6,755)
		25,005	34,176

Note 6. Cash assets

Cash at bank and on hand		58,918	49,987
Term deposits		304,619	377,825
		363,537	427,812

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		58,918	49,987
Term deposit		304,619	377,825
		363,537	427,812

Notes to the financial statements continued

	2009 \$	2008 \$
Note 7. Trade and other receivables		
Trade receivables	38,877	35,911
Accrued income	14,846.00	7,170
	53,723	43,081

Note 8. Property, plant and equipment

Plant and equipment

At cost	59,794	46,742
Less accumulated depreciation	(28,437)	(23,492)
	31,357	23,250

Leasehold improvements

At cost	92,054	69,630
Less accumulated depreciation	(29,059)	(23,502)
	62,995	46,128

Motor vehicle

At cost	33,233	33,233
Less accumulated depreciation	(13,762)	(9,269)
	19,471	23,964

Total written down amount **113,823** **93,342**

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	23,250	27,552
Additions	13,052	-
Disposals	-	-
Less: depreciation expense	(4,945)	(4,302)
Carrying amount at end	31,357	23,250

Notes to the financial statements continued

	2009 \$	2008 \$
Note 8. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	46,128	51,257
Additions	22,424	-
Disposals	-	-
Less: depreciation expense	(5,557)	(5,129)
Carrying amount at end	62,995	46,128
Motor vehicle		
Carrying amount at beginning	23,964	29,494
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,493)	(5,530)
Carrying amount at end	19,471	23,964
Total written down amount	113,823	93,342

Note 9. Intangible assets

Franchise fee		
At cost	71,477	60,000
Less: accumulated amortisation	(61,337)	(55,000)
Franchise renewal fee		
At cost	57,385	-
Less: accumulated amortisation	(6,695)	-
	60,830	5,000

Note 10. Deferred tax

Deferred tax asset		
- Opening balance	29,514	63,690
Recoupment of prior year tax losses	(20,556)	(40,931)
Deferred tax on provisions	(4,449)	6,755
- Closing balance	4,509	29,514

Notes to the financial statements continued

	2009 \$	2008 \$
Note 11. Trade and other payables		
Trade creditors	16,559	16,078
Other creditors & accruals	2,200	2,000
	18,759	18,078

Note 12. Borrowings

Current

Lease liability	13,966	8,873
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Non current

Lease liability	-	13,966
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Lease liability is unsecured and interest is charged at a rate of 7.8%pa.

Note 13. Provisions

Employee provisions

Current		
Provisions	15,806	17,097
Non current		
Provisions	6,728	3,246

Note 14. Contributed equity

720,000 Ordinary shares fully paid of \$1 each (2007: 720,000)	720,000	720,000
Less: equity raising expenses	(29,543)	(29,543)
	690,457	690,457

Notes to the financial statements continued

Note 14. Contributed equity (continued)

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.

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 411. As at the date of this report, the Company had 474 shareholders.

Notes to the financial statements continued

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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 members, but that such a result may be necessary to enforce the prohibition.

	2009	2008
	\$	\$
Note 15. Accumulated losses		
Balance at the beginning of the financial year	(152,968)	(197,291)
Net profit from ordinary activities after income tax	61,274	98,323
Dividends paid	(57,600)	(54,000)
Balance at the end of the financial year	(149,294)	(152,968)

Notes to the financial statements continued

	2009 \$	2008 \$
Note 16. Statement of cash flows		
Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	61,274	98,323
Non cash items:		
- depreciation	14,996	14,961
- amortisation	13,032	12,000
Changes in assets and liabilities:		
- increase in receivables	(10,643)	(10,668)
- decrease in other assets	25,005	34,176
- increase in payables	681	3,994
-increase in provisions	2,191	901
Net cashflows provided by operating activities	106,536	153,687

Note 17. Auditors' remuneration

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

- audit & review services	3,400	3,000
- non audit services	2,411	3,057
	5,811	6,057

Notes to the financial statements continued

Note 18. Director and related party disclosures

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

David John Johnson

Helen Dianne O'Sullivan

Corinne Gaye Holmberg

Louise Frances Ross

David Thomas Trewick

Maxwell John Williams

Graeme Trevor Wood

Jennifer Anne Dobell

Christine Joy Weller

Martin John Leddra (Appointed 2 March 2009)

Leanne Margaret Pentreath (Resigned 23 October 2008)

Chairman, David Johnson received a fee for services for his performance of the Chairman's role. The payment is for reimbursement of time and personal expenses incurred, he received \$2,500 (2008: \$Nil).

Secretary, Helen O'Sullivan received a fee for services for her performance of the Secretary's role. The payment is for reimbursement of time and personal expenses incurred, she received \$2,500 (2008: \$Nil).

Treasurer, Corrie Holmberg received a fee for services for her performance of the Treasurer's role. The payment is for reimbursement of time and personal expenses incurred, she received \$2,500 (2008: \$Nil).

Director, Corrie Holmberg is a partner with her husband in H & R Holmberg's Store which provides fuel for the Branch Manager's motor vehicle. Total payments for 2009 were \$2,492.61 (2008: \$3,602.28).

No other Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements continued

Note 18. Director and related party disclosures (continued)

Directors' shareholdings	2009	2008
David John Johnson	5,001	5,001
Helen Dianne O'Sullivan	5,001	5,001
Corinne Gaye Holmberg	3,001	3,001
Louise Frances Ross	1,501	1,501
David Thomas Trewick	3,001	3,001
Maxwell John Williams	7,001	7,001
Graeme Trevor Wood	501	501
Jennifer Anne Dobell	5,000	5,000
Christine Joy Weller	1,000	1,000
Martin John Leddra (Appointed 2 March 2009)	-	-
Leanne Margaret Pentreath (Resigned 23 October 2008)	5,001	5,001

There was no movement in Directors' shareholdings during the year. Each share held is valued at \$1.

	2009	2008
	\$	\$

Note 19. Dividends paid or provided

Ordinary shares

Unfranked - 8 cents per share (2008: 7.5 cents per share)	57,600	54,000
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Note 20. Key management personnel disclosures

Apart from the Board's Executive Directors of the Company as outlined in Note 18, no other Company Director or committee member receives remuneration for services.

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

Notes to the financial statements continued

	2009 \$	2008 \$
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Note 21. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company

used in calculating earnings per share	61,274	98,323
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	2009 Number	2008 Number
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(b) Weighted average number of ordinary shares used as the

denominator in calculating basic earnings per share	720,000	720,000
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Note 22. 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 23. Contingent liabilities

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

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being the Elmore and Lockington districts of Victoria.

Note 25. Registered office/principal place of business

The registered office and principal place of business is:

Registered office

62 Railway Place,
Elmore VIC 3558

Principal place of business

62 Railway Place,
Elmore VIC 3558

9-11 Lockington Road,
Lockington VIC 3563

Notes to the financial statements continued

Note 26. 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 Income Statement 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 %
Financial assets												
Cash assets	48,525	48,987	-	-	-	-	-	-	-	-	0.05	0.05
Investments	-	-	10,393	377,825	-	-	-	-	-	-	7.11	7.95
Term deposit	-	-	304,619	-	-	-	-	-	-	-	5.75	N/A
Receivables	-	-	-	-	-	-	-	-	53,723	43,081	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	13,966	8,873	-	13,966	-	-	-	-	7.8	7.8
Payables	-	-	-	-	-	-	-	-	18,759	18,078	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Lockmore 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.



David John Johnson
Chairman



Corinne Gaye Holmberg
Treasurer

Signed on 14 August 2009.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Lockmore Financial Services Limited

We have audited the accompanying financial statements of Lockmore 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

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 Lockmore 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 Lockmore 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 14 day of August 2009

Elmore/Lockington & Districts **Community Bank**[®] Branch

Elmore

62 Railway Place, Elmore VIC 3558

Phone: (03) 5432 6706 Fax: (03) 5432 6708

Lockington

9-11 Lockington Road, Lockington VIC 3563

Phone: (03) 5486 2304 Fax: (03) 5486 2435

Franchisee: Lockmore Financial Services Limited

62 Railway Place, Elmore VIC 3558

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ABN: 41 106 113 599

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ABN 11 068 049 178. AFSL 237879. (BMPAR9022) (07/09)

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