

2008 annual report



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Chairman's report

For year ending 30 June 2008

Welcome to this years Wallan & District Financial Services Ltd Annual Report. This being the first annual report covering a full years business activities since the Company was established. It is pleasing to be able to offer you, our shareholders, this report on the progress of your **Community Bank**[®] branch.

Whilst there have been many issues affecting the banking sector over the last 12 month period I am pleased to advise that your **Community Bank**[®] branch is progressing very close to the projections as laid out within the Company prospectus.

The Board of Directors continue to be active in ensuring that the business continues to grow so that we can achieve the best outcomes for our shareholders, customers, staff and the community in general. Directors have attended many functions throughout the year to help promote your bank in an endeavor to attract more business.

Our branch staff led by Manager, Donna Draper have also proven to be very active in their endeavors to see the business grow and it is pleasing to see on a regular basis the kind words of praise being forward from many customers about the excellent treatment they receive from the staff.

During the year a sub tenant moved into the vacant portion of our premise thus the lease fees raised will help offset some of our operating costs.

I would like to take this opportunity to thank Graeme Bruce, Ken Caig, Pam Cowen and Kathryn Harris whom have resigned as a Directors throughout the year. They have all played an important role in the establishment of the bank and we wish them well in their future endeavours.

Whilst the bank staff and the Board of Directors are working very hard to ensure the success of the business I must urge all shareholders to help us achieve our goals by banking with us and by promoting to others the benefits that the **Community Bank**[®] branch have to offer the community as a whole.

In closing I hope that you find this report satisfactory and thank you for your ongoing support throughout the year.



Peter Roylance
Chairman

Manager's report

For year ending 30 June 2008

The Wallan & District **Community Bank**[®] Branch celebrated their 1st Birthday on the 22 June 2008. What an achievement for our local community.

In our first year we put more than \$8,000 back into our local community in the form of grants and sponsorship. I was lucky enough to have a great deal to do with the giving of these funds and I can tell you first hand the difference it makes to the recipients. In some cases, the grants we gave saved the organisation up to one year of fund raising. Each and every person, individual or business that has their banking with our branch can feel very proud of themselves. It is with the support of their banking business that we were able to give back to our community.

At the time of writing this report, we have \$29 million in banking business and 2,243 accounts. We have also given a further \$2,226 back into our local community this financial year. That is a total of over \$10,000 we have given back to our local community since we opened our doors almost 16 months ago.

Just imagine for a moment what we will be able to do when we reach profitability! The number of groups and organisations we will be able to assist. And we can do all of this because you choose to do your banking with your local **Community Bank**[®] branch.

I have been saying the same thing since we opened, and now the message is still the same. The success of your branch is dependant on the banking support of the Wallan and district community and you, our valued shareholder.

I urge you all to get behind your **Community Bank**[®] branch and conduct as much of your banking, insurance and investment management with your Wallan & District **Community Bank**[®] Branch today.

Our branch provides all banking products, including:

- Everyday card and cheque book accounts
- Saving passbook accounts
- Business accounts
- Cash management accounts and term deposits
- Credit cards
- Personal loans
- Home loans
- Business loans
- Merchant facilities/Eftpos/GoPos
- Many types of insurance including home and contents, car and health
- Phone and internet banking
- Payroll facilities

Manager's report continued

- Income protection insurance
- Financial planning from amounts of \$2,000 or more
- Superannuation
- Age pension planning
- Tax minimization
- Telecommunication services, including home and mobile phones and internet

I would like to take this opportunity to thank all of our shareholders for your support thus far. I would also like to thank our Board of Directors who work tirelessly to ensure the success of our branch and who are all volunteers.

And finally I would like to thank my fantastic and enthusiastic team, Laura Brizzio, Tracey Charry, Angela Carroll and Kirsty Goddard for their dedication and valuable contribution. They continue to deliver an exceedingly high level of service to all of our valued customers.



Donna Draper
Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors submit their report of the Company for the financial year ended 30 June 2008.

Directors

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

Peter Roylance

Chairman
Electrical Supervisor

Kenneth Caig (resigned 22 November 2007)

Director
Self Employed

Graham Freeman

Director
Semi-Retired

Susan Marstaeller

Director
Councillor

Andrzej Skora

Director
Accountant

Antonio Bellizia (appointed 3 July 2007)

Director
Civil Engineer

Kathryn Harris (appointed 22 November 2007, resigned 31 August 2008)

Director
Accountant

Graeme Bruce (resigned 3 June 2008)

Director
Motor Body Maker

Pamela Cowen (resigned 26 June 2008)

Director
Supervisor Bioscience

Peter Graham

Director
Small Business Operator

Walter Mott

Director
Businessman

Trevor Tobias

Director
Company Director

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

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

Principal activities

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

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

Directors' report continued

Operating results

Operations have performed in line with expectations. The loss of the Company for the financial year after provision for income tax was \$151,663 (2007: \$41,747).

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.

Significant events after the balance date

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 providing banking services to the community.

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. 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 Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' report continued

Directors meetings

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

Number of meetings held:	14
<hr/>	
Number of meetings attended:	
<hr/>	
Peter Roylance	11
<hr/>	
Graeme Bruce (resigned 3 June 2008)	4
<hr/>	
Kenneth Caig (resigned 22 November 2007)	2
<hr/>	
Pamela Cowen (resigned 26 June 2008)	2
<hr/>	
Graham Freeman	9
<hr/>	
Peter Graham	9
<hr/>	
Susan Marstaeller	10
<hr/>	
Walter Mott	7
<hr/>	
Andrzej Skora	7
<hr/>	
Trevor Tobias	8
<hr/>	
Antonio Bellizia (appointed 3 July 2007)	10
<hr/>	
Kathryn Harris (appointed 22 November 2007, resigned 31 August 2008)	7
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Company Secretary

Peter Graham has been the Company Secretary of Wallan & District Financial Services Ltd since inception. Peter's qualifications and experience include operating a small business in the building maintenance industry.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Andrzej Skora and Susan Marstaeller;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants.

Directors' report continued

Richmond Sinnott & Delahunty Chartered Accountants



172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Wallan & District Financial Services Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott

Partner

Richmond Sinnott & Delahunty

Bendigo

5 September 2008

Signed in accordance with a resolution of the Board of Directors at Wallan on 5 of September 2008.

Peter Roylance

Chairperson

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenue from ordinary activities	2	211,633	7,230
Employee benefits expense	3	(234,165)	(13,151)
Charitable donations and sponsorship		(4,943)	(3,167)
Depreciation and amortisation expense	3	(38,343)	(6,503)
Other expenses from ordinary activities		(142,678)	(43,175)
Loss before income tax benefit		(208,496)	(58,766)
Income tax benefit	4	56,833	17,019
Loss after income tax benefit		(151,663)	(41,747)
Earnings per share (cents per share)			
- basic for loss for the year	20	(18.56)	(5.11)
- diluted for loss for the year	20	(18.56)	(5.11)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	200,214	395,486
Receivables	7	8,384	35,407
Total current assets		208,598	430,893
Non-current assets			
Property, plant and equipment	8	257,867	240,195
Deferred income tax asset	4	73,852	17,019
Intangible assets	9	82,500	104,500
Total non-current assets		414,219	361,714
Total assets		622,817	792,607
Current liabilities			
Payables	10	12,176	18,800
Provisions	11	5,032	1,069
Total current liabilities		17,208	19,869
Total liabilities		17,208	19,869
Net assets		605,609	772,738
Equity			
Share capital	12	799,019	814,485
Accumulated losses	13	(193,410)	(41,747)
Total equity		605,609	772,738

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Cash receipts in the course of operations		233,075	396
Cash payments in the course of operations		(396,052)	(75,031)
Interest received		17,186	6,834
Net cash flows used in operating activities	14b	(145,791)	(67,801)
Cash flows from investing activities			
Payment for intangible assets		-	(110,000)
Payments for property, plant and equipment		(34,015)	(241,198)
Net cash flows used in investing activities		(34,015)	(351,198)
Cash flows from financing activities			
Proceeds from issue of shares		-	817,010
Equity raising costs		(15,466)	(2,525)
Net cash flows from/(used in) financing activities		(15,466)	814,485
Net increase/(decrease) in cash held		(195,272)	395,486
Add opening cash brought forward		395,486	-
Closing cash carried forward	14a	200,214	395,486

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		814,485	-
Issue of share capital		-	817,010
Share issue costs		(15,466)	(2,525)
Balance at end of year		799,019	814,485
Accumulated losses			
Balance at start of year		(41,747)	-
Loss after income tax benefit		(151,663)	(41,747)
Dividends paid		-	-
Balance at end of year		(193,410)	(41,747)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 5 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

Income tax

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	4%
Computer software	40%

Plant & equipment is calculated on a diminishing value basis with rates between 15-33% used.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Property, plant and equipment

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 from 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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Goods and services tax

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 cash flow statement 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 operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (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 capital

Issued and paid up capital is 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.

Comparative figures

The entity commenced operations during the prior period, hence comparative figures are for the period ended 30 June 2007.

	2008 \$	2007 \$
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	190,597	-
- other revenue	-	396
Total revenue from operating activities	190,597	396
Non-operating activities:		
- interest received	17,186	6,834
- other revenue	3,850	-
Total revenue from non-operating activities	21,036	6,834
Total revenue from ordinary activities	211,633	7,230

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	189,410	12,179
- superannuation costs	16,924	972
- workers' compensation costs	755	-
- other costs	27,076	-
	234,165	13,151
Depreciation of non-current assets:		
- buildings	9,887	1,003
- plant & equipment	292	-
- computer software	6,164	-
Amortisation of non-current assets:		
- intangibles	22,000	5,500
	38,343	6,503

Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax benefit as follows:

Prima facie tax on loss before income tax at 30%	(62,549)	(17,630)
Add tax effect of:		
- Non-deductible expenses	5,716	611
Current income tax benefit	(56,833)	(17,019)
Income tax benefit	(56,833)	(17,019)
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	73,852	17,019

Notes to the financial statements continued

	2008 \$	2007 \$
Note 5. Auditors' remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	2,700	2,700
- Completion of feasibility study	-	5,000
	2,700	7,700

Note 6. Cash assets

Cash at bank and on hand	200,214	395,486
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Note 7. Receivables

GST receivable	2,175	35,407
Trade debtors	6,209	-
	8,384	35,407

Note 8. Property, plant and equipment

Buildings

At cost	258,541	240,628
Less accumulated depreciation	(10,890)	(1,003)
	247,651	239,625

Plant & equipment

At cost	1,263	570
Less accumulated depreciation	(292)	-
	971	570

Computer software

At cost	15,409	-
Less accumulated depreciation	(6,164)	-
	9,245	-

Total written down amount	257,867	240,195
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts		
Building		
Carrying amount at beginning of year	239,625	-
Additions	17,913	240,628
Disposals	-	-
Depreciation expense	(9,887)	(1,003)
Carrying amount at end of year	247,651	239,625
Movements in carrying amounts		
Plant & equipment		
Carrying amount at beginning of year	570	-
Additions	693	570
Disposals	-	-
Depreciation expense	(292)	-
Carrying amount at end of year	971	570
Movements in carrying amounts		
Computer software		
Carrying amount at beginning of year	-	-
Additions	15,409	-
Disposals	-	-
Depreciation expense	(6,164)	-
Carrying amount at end of year	9,245	-

Notes to the financial statements continued

	2008 \$	2007 \$
Note 9. Intangible assets		
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(2,500)	(500)
	7,500	9,500
Establishment costs		
At cost	100,000	100,000
Less accumulated amortisation	(25,000)	(5,000)
	75,000	95,000
	82,500	104,500

Note 10. Payables

Trade creditors	6,473	17,828
Other creditors and accruals	5,703	972
	12,176	18,800

Note 11. Provisions

Employee benefits	5,032	1,069
Number of employees at year end	5	4

Note 12. Share capital

817,010 Ordinary Shares fully paid of \$1 each	817,010	817,010
less Equity raising costs	(17,991)	(2,525)
	799,019	814,485

Notes to the financial statements continued

	2008 \$	2007 \$
Note 13. Accumulated losses		
Balance at the beginning of the financial year	(41,747)	-
Loss after income tax	(151,663)	(41,747)
Dividends	-	-
Balance at the end of the financial year	(193,410)	(41,747)

Note 14. Cash flow statement

(a) Reconciliation of cash

Cash assets	200,214	395,486
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(b) Reconciliation of loss after tax to net cash provided

from/(used in) operating activities

Loss after income tax	(151,663)	(41,747)
Non cash items		
- Depreciation	16,343	1,003
- Amortisation	22,000	5,500
Changes in assets and liabilities		
- (Increase) decrease in deferred tax asset	(56,833)	(17,019)
- (Increase) decrease in receivables	27,023	(35,407)
- Increase (decrease) in payables	(6,624)	18,800
- Increase (decrease) in provisions	3,963	1,069
Net cash flows used in operating activities	(145,791)	(67,801)

Notes to the financial statements continued

Note 15. Director and related party disclosures

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

Peter Roylance

Graeme Bruce (resigned 3 June 2008)

Kenneth Caig (resigned 22 November 2007)

Pamela Cowen (resigned 26 June 2008)

Graham Freeman

Peter Graham

Susan Marstaeller

Walter Mott

Andrzej Skora

Trevor Tobias

Antonio Bellizia (appointed 3 July 2007)

Kathryn Harris (appointed 22 November 2007, resigned 31 August 2008)

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

Directors shareholdings	2008	2007
Peter Roylance	1,001	1,001
Graeme Bruce (resigned 3 June 2008)	5,501	5,501
Kenneth Caig (resigned 22 November 2007)	2,001	2,001
Pamela Cowen (resigned 26 June 2008)	1,501	1,501
Graham Freeman	501	501
Peter Graham	4,501	4,501
Susan Marstaeller	3,001	3,001
Walter Mott	55,868	55,868
Andrzej Skora	2,001	2,001
Trevor Tobias	501	501
Antonio Bellizia (appointed 3 July 2007)	1,000	1,000
Kathryn Harris (appointed 22 November 2007, resigned 31 August 2008)	2,000	2,000

There was no movement in Directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Notes to the financial statements continued

Note 16. Subsequent events

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

Note 17. Contingent liabilities

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

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Wallan, Victoria.

Note 19. Corporate information

Wallan & District Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: 1/51 High Street, Wallan.

2008
\$

2007
\$

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Loss after income tax expense	(151,663)	(41,747)
Weighted average number of ordinary shares for basic and diluted earnings per share	817,010	817,010

Notes to the financial statements continued

Note 21. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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

	Carrying amount	
	2008	2007
	\$	\$
Cash assets	200,214	395,486
Receivables	8,384	35,407
	208,598	430,893

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements continued

Note 21. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	12,176	(12,176)	(12,176)	-	-
	12,176	(12,176)	(12,176)	-	-
30 June 2007					
Payables	18,800	(18,800)	(18,800)	-	-
	18,800	(18,800)	(18,800)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2008 \$	2007 \$
Fixed rate instruments		
Financial assets	162,159	300,000
Financial liabilities	-	-
	162,159	300,000
Variable rate instruments		
Financial assets	37,645	95,076
Financial liabilities	-	-
	37,645	95,076

Notes to the financial statements continued

Note 21. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) 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 year end.

(e) Capital management

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

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

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

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

Director's declaration

In accordance with a resolution of the Directors of Wallan & District Financial Services Limited, I 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 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.



Peter Roylance
Chairperson

Signed at Wallan on the 5 of September 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

5 September 2008

The Directors
Wallan & District Financial Services Limited
1/51 High Street
WALLAN VIC 3756

Dear Directors

We have now completed our review of the financial report of Wallan & District Financial Services Limited for the year ended 30 June 2008. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

1. Overview of Audit Approach

Our audit was designed in accordance with Australian Auditing Standards (AUS), which provides for reasonable, rather than absolute, assurance that the financial report is free of material misstatement. The nature and scope of the audit work performed was designed to achieve our primary goal of supporting the audit opinion on the financial report.

2. Operations

2.1 Financial Performance

	30 June 2008 S	30 June 2007 S
Revenue from ordinary activities	211,633	7,230
Salaries & employee benefits expense	(234,165)	(13,151)
Charitable donations & sponsorship	(4,943)	(3,167)
Depreciation & amortisation expenses	(38,343)	(6,503)
Administration and other operating expenses	(142,678)	(43,175)
Operating loss before income tax	(208,496)	(58,766)
Income tax benefit	56,833	17,019
Operating loss after income tax	(151,663)	(41,747)

2.2 Financial Position

	30 June 2008 S	30 June 2007 S
Current assets	208,598	430,893
Non current assets	414,219	361,714
Total assets	622,817	792,607
Total liabilities	17,208	19,869
Shareholders' equity	605,609	772,738

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3. Auditing/Accounting Issues

During our audit we noted the following matter that we recommend the directors review prior to future audits being completed.

3.1 Authorisation of invoices

During payments testing we noted that all invoices selected for testing held no evidence of authorisation for payment. We recommend as best practice that all invoices are initialled by two cheque signatories as a sign of approval.

4. Summary of Audit Differences

There are no material audit differences that have not been included in the financial report for Wallan & District Financial Services Limited.

5. Other Matters

Our work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities, other than those that would influence us in forming our audit opinion.

Should you have any queries in relation to any other matter please do not hesitate to contact us.

Yours sincerely



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

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