

annual report 2010



Wallan & District
Financial Services Limited
ABN 32 119 493 113

Wallan & District **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2010

This will be the first AGM held by Wallan & District Financial Services Limited where Peter Roylance is not our Chairman. For those who were not aware, Peter stepped down as Chairman on 1 July 2010 and I was accepted by the Board as our new Chairman. I feel privileged to have been accepted into this role and am also pleased to announce that Peter will continue as a Director and Deputy Chairman.

I would like to take this opportunity to thank Peter for his leadership, commitment and dedication throughout the past four years. During this time, Peter has seen the Wallan & District **Community Bank**[®] Branch move from the feasibility and share release stage to a position of almost \$60 million in footings, the achievement of our first financial year profit and the return of more than \$60,000 to groups in our community (more than \$24,000 in the last financial year).

This is a tremendous achievement in a relatively short period of time, and is a testament to the hard work and commitment by Peter, Board members and our fantastic staff. I constantly receive the highest praise from customers when talking about our team. Our staff is our greatest asset, and we are fortunate to have a dedicated team in Kevin, Kate, Tracey, Angela and Kirsty. Their service is of the highest possible standard, and I take this opportunity to thank them all on your behalf.

I would also like to welcome Kevin Hannam to our team. Kevin was appointed as our Branch Manager in November 2009, and we are thankful to have such an experienced and accomplished team member. With a solid banking background to consolidate the foundations made over our first two and a half years, Kevin has already proven his ability in attracting new business and we look forward to continued and sustained growth.

It was with regret that we accepted the resignation of one of our Directors, Tony Bellizia during the year. Tony is committed to his own business, and circumstances meant he could no longer devote the time he considered necessary to fulfil his duties as a Director. We thank Tony for his commitment to Wallan & District Financial Services Limited.

During the year, we welcomed Director, Greg Marshall to the Board. Greg is proving to be a very enthusiastic member of the Board and is actively involved with our sponsorship and marketing sub committee.

While we have made significant progress throughout the past three years of operation, our focus now is to continue to build and improve on funding projects for the benefit of our community and providing a return to our shareholders. Wallan & District **Community Bank**[®] Branch benefits our whole community, and these benefits extend beyond banking and enter into providing additional opportunities for our community.

You, our shareholders, have made the most important contribution to our success, and you can continue this contribution by encouraging customers and potential customers to use our services. In doing this, Wallan & District **Community Bank**[®] Branch can further contribute to our community and shareholders.



Paul Gardiner
Chairman

Manager's report

For year ending 30 June 2010

It is a pleasure to submit my first Manager's Report to the Annual General Meeting of the Wallan & District Financial Services Ltd.

I would like to thank the Board for the opportunity to manage the Wallan & District **Community Bank**[®] Branch and acknowledge the efforts of my predecessor Donna Draper-Challenger. New business in the branch has accelerated in the past twelve months increasing funds under management from \$43.7 million through the \$50 million mark to be just under \$60 million as at the date of this report. This represents a 36.6% increase in the past year. More importantly, the business is now profitable.

In the past twelve months we have supported our local community by handing out more than \$24,000 in grants, donations and sponsorships. This is all made possible by the hard work and enthusiasm of our professional and friendly team of Kate Liddell, Tracey Charry, Kirsty Goddard and Angela Carroll.

Having a dedicated and supportive Board of Directors is imperative to the success of this business. To take on the role of a Director is both time consuming and onerous, and we cannot forget voluntary and unpaid. Past Chairman, Peter Roylance, current Chairman, Paul Gardiner and the Board are to be congratulated for their selfless efforts. The future success of the **Community Bank**[®] branch is incumbent on the continued support and promotion by all members of the Board and the branch team, and you the shareholders.

The Wallan & District **Community Bank**[®] Branch is primarily in existence to provide local banking services and from profits generated by these services, assistance to local, not for profit organisations. The concept that an Australian bank would give back a significant portion of its profits to the local community was both foreign and attractive to me as a career banker. It is what brought me to Wallan and it is what motivates me, and my team, to make this branch of Bendigo Bank, the best performing branch in not just this region, but this state. This can only be achieved with the full support of the community which we are here to assist.

The team is looking forward to the next twelve months. With challenging growth targets in place which we will exceed, and the resultant increase in profits, we will be in a position to not only significantly increase the sponsorships and grants, but also, give the shareholders of Wallan & District Financial Services Ltd a return on their investment via dividends.

I will finish with a question to all our shareholders, local business community and the past and future recipients of sponsorships and grants.

If you don't bank with the Wallan & District **Community Bank**[®] Branch, why not?



Kevin Hannam
Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

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

Director
Electrical Supervisor

Paul Gardiner

Chairman
Police Officer

Graham Freeman

Director
Semi-Retired

Peter Graham

Director
Small Business Operator

Susan Marstaeller

Director
Office Administrator

Walter Mott

Director
Businessman

Andrzej Skora

Director
Accountant

Trevor Tobias

Director
Company Director

Antonio Bellizia (resigned 29 September 2009)

Director
Civil Engineer

Greg Marshall (appointed 24 November 2009)

Director
Retired

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

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 Ltd.

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

Operating results

The profit/(loss) of the Company for the financial year after provision for income tax was \$48,220 (2009: (\$37,394)).

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.

Directors' report continued

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 apart from the following.

Newspaper House Pty Ltd and James Yeates Printing Pty Ltd, of which Walter H Mott is a Director and shareholder, received a fee of \$1,916 (2009: \$1,918) for advertising and printing services supplied during the year ended 30 June 2010.

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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board meetings #	Audit committee meetings #
Peter Roylance	9 (12)	N/A
Paul Gardiner	11 (12)	N/A
Graham Freeman	8 (12)	N/A
Peter Graham	12 (12)	N/A
Susan Marstaeller	8 (12)	8 (12)
Walter Mott	7 (12)	N/A
Andrzej Skora	10 (12)	10 (12)
Trevor Tobias	8 (12)	N/A
Antonio Bellizia (resigned 29 September 2009)	1 (5)	N/A
Greg Marshall (appointed 24 November 2009)	6 (7)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

Company Secretary

Peter Graham has been the Company Secretary of Wallan & District Financial Services Limited 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.

Directors' report continued

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty Chartered Accountants



24 August 2010

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

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

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Wallan & District Financial Services Limited for the year ended 30 June 2010, 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

Signed in accordance with a resolution of the Board of Directors at Wallan on 24 August 2010.

Paul Gardiner
Chairperson

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from ordinary activities	2	582,923	407,000
Employee benefits expense	3	(269,738)	(263,392)
Charitable donations and sponsorship		(23,936)	(8,080)
Depreciation and amortisation expense	3	(36,002)	(38,791)
Other expenses from ordinary activities		(175,893)	(141,389)
Profit/(Loss) before income tax expense		77,354	(44,652)
Income tax benefit/(expense)	4	(29,134)	7,258
Profit/(Loss) after income tax expense		48,220	(37,394)
Other comprehensive income		-	-
Total comprehensive income		48,220	(37,394)
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	21	5.90	(4.58)
- diluted for profit/(loss) for the year	21	5.90	(4.58)

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	6	286,321	180,575
Receivables	7	45,424	21,268
Total current assets		331,745	201,843
Non-current assets			
Property, plant and equipment	8	231,124	243,565
Deferred tax asset	4	51,976	81,110
Intangible assets	9	38,506	60,502
Total non-current assets		321,606	385,177
Total assets		653,351	587,020
Current liabilities			
Payables	10	27,503	10,697
Provisions	11	9,413	8,108
Total current liabilities		36,916	18,805
Total liabilities		36,916	18,805
Net assets		616,435	568,215
Equity			
Share capital	12	799,019	799,019
Accumulated losses	13	(182,584)	(230,804)
Total equity		616,435	568,215

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Cash receipts in the course of operations		587,460	397,526
Cash payments in the course of operations		(486,546)	(426,471)
Interest received		6,397	11,797
Net cash flows from/(used in) operating activities	14b	107,311	(17,148)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,565)	(2,491)
Net cash flows used in investing activities		(1,565)	(2,491)
Net increase/(decrease) in cash held		105,746	(19,639)
Cash and cash equivalents at start of year		180,575	200,214
Cash and cash equivalents at end of year	14a	286,321	180,575

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Note	2010 \$	2009 \$
Share capital			
Balance at start of year		799,019	799,019
Issue of share capital		-	-
Share issue costs		-	-
		799,019	799,019
Accumulated losses			
Balance at start of year		(230,804)	(193,410)
Profit/(loss) after income tax expense		48,220	(37,394)
Dividends paid	20	-	-
Balance at end of year		(182,584)	(230,804)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Wallan & District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 24 August 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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

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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the financial statements continued

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

Income tax (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

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 10-33% used.

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.

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.

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.

Notes to the financial statements continued

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

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 reporting 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.

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.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. 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 operating cash flows.

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 statement of cash flows, 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.

Notes to the financial statements continued

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

Loans and borrowings

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

Share 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.

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.

Comparative figures

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

	2010	2009
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	576,526	395,203
- other revenue	-	-
Total revenue from operating activities	576,526	395,203
Non-operating activities:		
- interest received	6,397	11,797
- other revenue	-	-
Total revenue from non-operating activities	6,397	11,797
Total revenue from ordinary activities	582,923	407,000

Notes to the financial statements continued

	2010 \$	2009 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	219,363	215,817
- superannuation costs	21,041	19,900
- workers' compensation costs	829	973
- other costs	28,505	26,702
	269,738	263,392
Depreciation of non-current assets:		
- buildings	10,398	10,411
- plant & equipment	261	203
- computer software	3,347	6,179
Amortisation of non-current assets:		
- intangibles	21,996	21,998
	36,002	38,791
Bad debts	931	2,634

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%	23,206	(13,396)
Add tax effect of:		
- Non-deductible expenses	5,928	6,138
Current income tax expense/(benefit)	29,134	(7,258)
Income tax expense/(benefit)	29,134	(7,258)
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	51,976	81,110

Notes to the financial statements continued

	2010 \$	2009 \$
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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	3,900	3,650
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Note 6. Cash and cash equivalents

Cash at bank and on hand	286,321	180,575
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Note 7. Receivables

Trade debtors	45,424	21,268
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Note 8. Property, plant and equipment

Buildings

At cost	259,941	259,941
Less accumulated depreciation	(31,699)	(21,301)
	228,242	238,640

Plant & equipment

At cost	2,354	2,354
Less accumulated depreciation	(756)	(495)
	1,598	1,859

Computer software

At cost	16,974	15,409
Less accumulated depreciation	(15,690)	(12,343)
	1,284	3,066

Total written down amount	231,124	243,565
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Notes to the financial statements continued

	2010 \$	2009 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts		
Building		
Carrying amount at beginning of year	238,640	247,651
Additions	-	1,400
Disposals	-	-
Depreciation expense	(10,398)	(10,411)
Carrying amount at end of year	228,242	238,640
Plant & equipment		
Carrying amount at beginning of year	1,859	971
Additions	-	1,091
Disposals	-	-
Depreciation expense	(261)	(203)
Carrying amount at end of year	1,598	1,859
Computer software		
Carrying amount at beginning of year	3,066	9,245
Additions	1,565	-
Disposals	-	-
Depreciation expense	(3,347)	(6,179)
Carrying amount at end of year	1,284	3,066

Note 9. Intangible assets

Franchise fee

At cost	10,000	10,000
Less accumulated amortisation	(6,495)	(4,498)
	3,505	5,502

Notes to the financial statements continued

	2010 \$	2009 \$
Note 9. Intangible assets (continued)		
Establishment costs		
At cost	100,000	100,000
Less accumulated amortisation	(64,999)	(45,000)
	35,001	55,000
	38,506	60,502

Note 10. Payables

Trade creditors	2,500	-
Other creditors and accruals	25,003	10,697
	27,503	10,697

Note 11. Provisions

Employee benefits	9,413	8,108
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Note 12. Share capital

817,010 Ordinary shares fully paid of \$1 each	817,010	817,010
less Equity raising costs	(17,991)	(17,991)
	799,019	799,019

Note 13. Accumulated losses

Balance at the beginning of the financial year	(230,804)	(193,410)
Profit/(loss) after income tax	48,220	(37,394)
Balance at the end of the financial year	(182,584)	(230,804)

Notes to the financial statements continued

	2010 \$	2009 \$
Note 14. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	286,321	180,575
(b) Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities		
Profit/(Loss) after income tax	48,220	(37,394)
Non cash items		
- Depreciation	14,006	16,793
- Amortisation	21,996	21,998
Changes in assets and liabilities		
- (Increase) decrease in deferred tax asset	29,134	(7,258)
- (Increase) decrease in receivables	(24,156)	(12,884)
- Increase (decrease) in payables	16,806	(1,479)
- Increase (decrease) in provisions	1,305	3,076
Net cash flows used in operating activities	107,311	(17,148)

Note 15. Director and related party disclosures

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

Peter Roylance

Paul Gardiner

Graham Freeman

Peter Graham

Susan Marstaeller

Walter Mott

Andrzej Skora

Trevor Tobias

Antonio Bellizia (resigned 29 September 2009)

Greg Marshall (appointed 24 November 2009)

Newspaper House Pty Ltd and James Yeates Printing Pty Ltd, of which Walter H Mott is a Director and shareholder, received a fee of \$1,916 (2009: \$1,918) for advertising and printing services supplied during the year ended 30 June 2010. No other Director or related entity has entered into a material contract with the Company.

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2010	2009
Peter Roylance	1,001	1,001
Paul Gardiner	1,000	1,000
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 (resigned 29 September 2009)	1,000	1,000
Greg Marshall (appointed 24 November 2009)	2,000	2,000

There was no movements in Directors' shareholdings during the year. Each share held has a paid upvalue of \$1 and is fully paid.

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 VIC 3756.

Notes to the financial statements continued

Note 20. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

	2010	2009
	\$	\$

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit/(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 profit/(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:

Profit/(Loss) after income tax expense	48,220	(37,394)
Weighted average number of ordinary shares for basic and diluted earnings per share	817,010	817,010

Note 22. 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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

	Carrying amount	
	2010 \$	2009 \$
Cash assets	286,321	180,575
Receivables	45,424	21,268
	331,745	201,843

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

None of the assets of the Company are past due (2009: 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.

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 2010					
Payables	27,503	(27,503)	(27,503)	-	-
	27,503	(27,503)	(27,503)	-	-
30 June 2009					
Payables	10,697	(10,697)	(10,697)	-	-
	10,697	(10,697)	(10,697)	-	-

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(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	
	2010	2009
	\$	\$
<hr/>		
Fixed rate instruments		
Financial assets	240,153	104,125
Financial liabilities	-	-
	240,153	104,125
<hr/>		
Variable rate instruments		
Financial assets	45,758	76,450
Financial liabilities	-	-
	45,758	76,450
<hr/>		

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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

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

Directors' 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 2010 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.



Paul Gardiner
Chairperson

Signed at Wallan on 24 August 2010.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WALLAN & DISTRICT FINANCIAL SERVICES LIMITED

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Wallan & District Financial Services Limited, for the year ended 30 June 2010.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Wallan & District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 24 August 2010



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(BMPAR10035) (08/10)