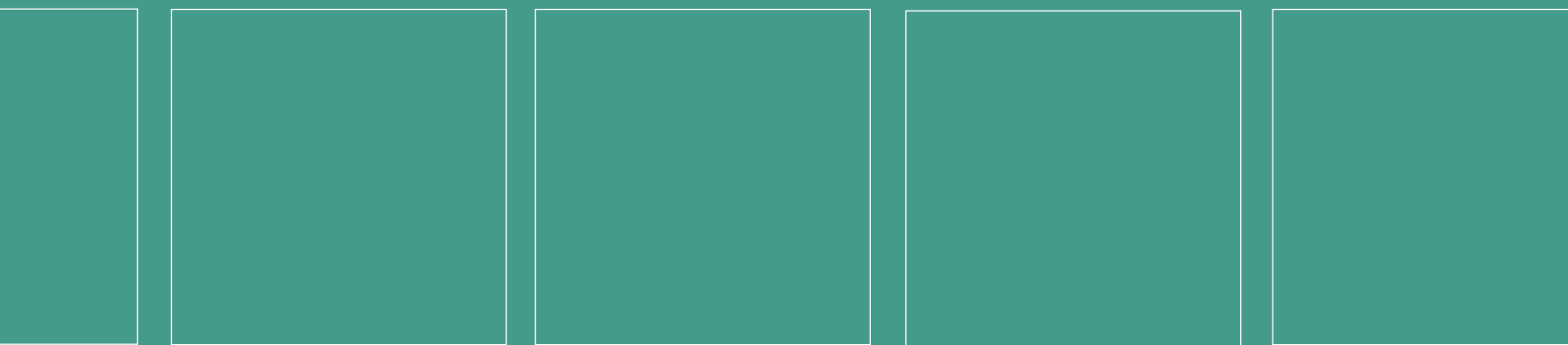


2008  
annualreport



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# Chairman's report

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For year ending 30 June 2008

I am pleased to advise that since my last report of 30 June 2007, we have been able to maintain strong business growth, in close accordance with the expectations provided to shareholders.

During the year, strong customer support has grown our business base from around \$28 million to in excess of \$37 million, representing growth in real terms of 32.5 per cent. Over the same period our account base has increased from 1,920 to 2,331 representing growth of 21.4 per cent with corresponding growth in customer numbers.

On 30 June 2008 the Board of Management of Yarraman Financial Services Limited announced its intention to investigate potential business growth opportunities in the Blackbutt region. Accordingly, we plan to assess the potential to raise sufficient additional capital to establish either a sub-branch or a **Community Bank**<sup>®</sup> branch within the town of Blackbutt. Moreover, it is the intention of the Directors to conduct a sound feasibility study process, undertake adequate financial analysis and prepare a business plan before we present a business case to our shareholders for their consideration.

I am very pleased to be part of a Board of Management which has not only set a sound strategic direction for our business, but has ensured that we continue to operate within a sound corporate governance and compliance framework. I am very mindful that our Directors not only act in a voluntary capacity but also give their time with an enthusiastic willingness. I thank them all very much.

The continued strong growth of Yarraman Financial Services Limited highlights the hard work undertaken by our Branch Manager, Anne Woodrow and her team, June, Lorraine, Cheryl, and Deanne. Their dedication and commitment both to their work at the branch and to their service in the community is an exceptional example of a successful **Community Bank**<sup>®</sup> model. On behalf of my fellow Directors I would like to thank our award winning team.

I would also like to thank our customers for their vital support and for their confidence in Yarraman Financial Services Limited. It is with much pleasure that I present our Annual Report to Shareholders.



Wayne Emms

Chairman

# Manager's report

---

For year ending 30 June 2008

'Successful customers and successful communities create a successful bank – in that order.'

I am pleased to report to the Board and Shareholders on another exciting and successful year's trading at Yarraman & District **Community Bank**<sup>®</sup> Branch.

It is almost three years since Yarraman & District **Community Bank**<sup>®</sup> Branch of Bendigo Bank opened for business and we are able to report that it is in a sound financial position.

The branch has continued to perform well this year with the following portfolio of funds under management.

	June 2007	June 2008	% Increase
Accounts	1920	2331	21.40%
Deposits	\$16,229,000	\$18,375,826	13.22%
Loans	\$11,818,000	\$18,791,185	59.00%
Total Funds Under Management	\$28,047,000	\$37,167,011	32.51%

Once again these are fantastic results and are proof that the **Community Bank**<sup>®</sup> model is not only sustainable, but continues to be relevant and trusted by our customers. This strong growth in customer numbers, accounts and balances flows on from the reputation for excellent service I believe we have fostered in our community.

The above figures are relevant as of 30 June 2008. However, I am pleased to report that on Friday, 29 August 2008, our third birthday, we were hovering around the \$40 million in banking business mark. A great, and significant, achievement for our community owned Company.

As a **Community Bank**<sup>®</sup> branch we are focussed on building strong relationships with our customers. During the past three years my staff and I have been able to develop close relationships with not only our personal customers, but those in local businesses as well. It is satisfying to know that our service, and our banking products are assisting our customers to achieve their financial goals.

## Branch staff

To meet our increasing business levels, there have been some changes at the branch. Lorraine Wyvill has taken up the position of Loans Officer. Lorraine Wyvill and Deanne Frohloff have both increased their working hours to meet the demands of our growing business.

Yarraman branch now processes a monthly average of 2,300 across-the-counter transactions and 3,700 Automatic Teller Machine transactions - a total of 6,000 transactions per month.

## Manager's report (continued)

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### **Branch achievements for 2007/2008 financial year**

Every year Bendigo Bank recognises the efforts of its community, and Company branch network with internal awards. Our branch has been recognised in several of these including:

Branch of the Month for Region 433 – Sunshine Coast – January and May

Branch of the Year for Region 433 – Sunshine Coast

Branch of the Month - Time to Grow Customer Focus – Initiative for Queensland – June

Second out of 84 branches – Time to Grow Customer Focus – Initiative for Queensland.

Yarraman Financial Services Limited has continued to support local events and organisations with sponsorships, donations and merchandising items. But the community benefits aren't just financial. It's all about retaining the local dollars spent within our local community and the goodwill that surrounds these community ventures.

Our Shareholders deserve a special mention, however I hope they come under the customer category as well. I sincerely thank you for your foresight in establishing our **Community Bank**<sup>®</sup> branch. Your initiative has seen your Company and bank branch develop and grow during the past three years. Without your belief and support of our **Community Bank**<sup>®</sup> branch, we wouldn't be in the strong financial position we are in today.

As Branch Manager, I am fortunate to have the support of a great team. My staff are our greatest asset. To June, Lorraine, Deanne and Cheryl, I thank them for their commitment to the Bendigo way of banking and congratulate them on their fine achievements in providing exceptional customer service. This team is not only professional and hard working, they also create a happy environment to work in.

I would also like to thank our Directors for their efforts during the past year and to the community as a whole for embracing their **Community Bank**<sup>®</sup> branch with pride and confidence.

And, of course there are our customers. They have made a vital contribution in putting their faith in Yarraman & District **Community Bank**<sup>®</sup> Branch, and, in return, are enjoying the exceptional customer service that Yarraman & District **Community Bank**<sup>®</sup> Branch has become renowned for.



Anne Woodrow  
Branch Manager

# Directors' report

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For year ending 30 June 2008

Your Directors present their report on the Company for the 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:

### **David Wayne Emms**

Chairman  
Age: 63  
Manufacturer  
Building construction/product design  
Chairman, Marketing & Sponsorship Committee  
Interests in shares: 1,001

### **Ross Christopher Begent**

Secretary  
Age: 55  
Economic Development Officer  
Business Management & Counselling/Business Programs/Economic Development  
Company Secretary, Chairman: Corporate Governance  
Interests in shares: 2,001

### **John Henry Harwood (Resigned 31 March 2008)**

Treasurer  
Age: 71  
Retiree  
Corporate Administration  
Chairman: Audit Committee  
Interests in shares: 1,500

### **Jennifer Eileen Hunter (Resigned 2 July 2007)**

Director  
Age: 47  
Primary Producer/Business Tutor  
Bookkeeping & Administration  
Chairperson: Budget  
Interests in shares: 1,000

### **Terence Edward Dhann**

Director  
Age: 64  
Councillor  
Business Management/Police Force  
Chairman: Business Development & HR  
Interests in shares: 501

### **Cr Noel Leslie Strohfeld**

Director  
Age: 67  
Grazier & Agricultural Supplier  
Mayor, Council/Business Proprietor/Importer  
Chairman: Projects  
Interests in shares: 501

### **Keith Roy Carroll**

Director  
Age: 74  
Retiree  
Banking & Finance  
Past Treasurer/Assists Chairman  
Interests in shares: 1,501

### **Frank E Smith (Appointed 9 July 2007)**

Director  
Age: 68  
Retiree  
Exporter of livestock meat  
Special responsibilities: Budgeting & strategic planning  
Interest in shares: 1,000

# Directors' report continued

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**Lee Ryan Evans (Appointed 3 June 08)**

Director  
Age: 51  
Caravan Park Owner/Operator  
Past marine engineer and naval officer.  
Special responsibilities: Marketing committee  
Interests in shares: 500

**James Alan Beveridge (Appointed 3 June 2008)**

Director  
Age: 33  
Chartered Accountant  
Chartered accountant working in public practice  
Interests in shares: nil

**Peter McDade (Appointed 24 July 2007)**

Director  
Age: 61  
Retiree  
Marketing & Finance  
Special responsibilities: Marketing committee  
Interests in shares: nil

**Brenton Lester McLennan (Appointed 9 July 2007)**

Director  
Age: 57  
Electrician  
Electrician with own Company  
Interests in shares: 500

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**

Ross Begent has been the Company Secretary of Yarraman Financial Services Limited since its establishment. His qualifications and experience include being the voluntary Secretary of a major employment organisation, Director of a State Government small business agency and adviser on business policy and support programmes. He is employed by Toowoomba Regional Council in an Economic Development role.

**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 Bank Limited.

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/(loss) of the Company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2008	30 June 2007
\$	\$
39,712	(20,816)

**Remuneration report**

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

# Directors' report continued

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## **Dividends**

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

## **Significant changes in the state of affairs**

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

## **Matters subsequent to the end of the financial year**

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

## **Likely developments**

The Company will continue its policy of facilitating banking services to the community.

## **Environmental regulation**

The Company is not subject to any significant environmental regulation.

## **Directors' benefits**

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 17 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

## **Indemnification and insurance of Directors and Officers**

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or 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

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## Directors meetings

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

	<b>Number of Board meetings eligible to attend</b>	<b>Number attended:</b>
David Wayne Emms	11	8
Ross Christopher Begent	11	9
John Henry Harwood (Resigned 31 March 2008)	8	8
Jennifer Eileen Hunter (Resigned 2 July 2007)	0	0
Cr Noel Leslie Strohfeld	11	6
Terrence Edward Dhann	11	9
Keith Roy Carroll	11	9
Frank E Smith (Appointed 9 July 2007)	10	8
Lee Ryan Evans (Appointed 3 June 08)	0	0
James Alan Beveridge (Appointed 3 June 2008)	0	0
Peter McDade (Appointed 24 July 2007)	10	5
Brenton Lester McLennan (Appointed 9 July 2007)	10	10

## Non audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;

none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

## Directors' report continued

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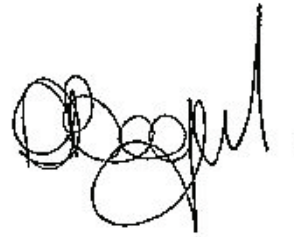
### **Auditors' independence declaration**

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

Signed in accordance with a resolution of the Board of Directors at Yarraman, Queensland on 18 September 2008.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the bottom.

David Wayne Emms, Chairman

A handwritten signature in black ink, featuring a large initial 'R' and a long vertical stroke extending upwards.

Ross Christopher Begent, Secretary

# Directors' report continued



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ABN 51 061 795 337

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Yarraman Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

**David Hutchings**  
Auditor

**Andrew Frewin & Stewart**  
Bendigo, Victoria

Dated this 18<sup>th</sup> day of September 2008

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Liability limited by a scheme approved under Professional Standards Legislation

# Financial statements

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## Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	419,529	301,120
Salaries and employee benefits expense		(206,402)	(177,359)
Advertising and promotion expenses		(15,049)	(9,308)
Occupancy and associated costs		(34,879)	(30,624)
Systems costs		(24,415)	(26,064)
Depreciation and amortisation expense	4	(16,171)	(14,630)
General administration expenses		(71,577)	(68,818)
<b>Profit/(loss) before income tax expense/credit</b>		<b>51,036</b>	<b>(25,683)</b>
Income tax expense/credit	5	(11,324)	4,867
<b>Profit/(loss) for the period</b>		<b>39,712</b>	<b>(20,816)</b>
<b>Profit/(loss) attributable to members of the entity</b>		<b>39,712</b>	<b>(20,816)</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- Basic for profit for the year	21	9.34	(4.90)

The accompanying notes form part of these financial statements.

## Financial statements continued

### Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash assets	6	119,815	64,951
Trade and other receivables	7	44,856	27,810
<b>Total current assets</b>		<b>164,671</b>	<b>92,761</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	44,933	41,396
Intangible assets	9	94,274	106,274
Deferred tax assets	10	38,782	50,106
<b>Total non-current assets</b>		<b>177,989</b>	<b>197,776</b>
<b>Total assets</b>		<b>342,660</b>	<b>290,537</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	32,319	23,665
Provisions	12	16,531	16,922
<b>Total current liabilities</b>		<b>48,850</b>	<b>40,587</b>
<b>Non-current liabilities</b>			
Provisions	12	4,148	-
Total non-current liabilities		4,148	-
<b>Total liabilities</b>		<b>52,998</b>	<b>40,587</b>
<b>Net assets</b>		<b>289,662</b>	<b>249,950</b>
<b>Equity</b>			
Issued capital	13	401,292	401,292
Accumulated losses	14	(111,630)	(151,342)
<b>Total equity</b>		<b>289,662</b>	<b>249,950</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		408,786	318,214
Payments to suppliers and employees		(349,406)	(334,105)
Interest received		3,192	3,125
<b>Net cash provided by/(used in) operating activities</b>	<b>15</b>	<b>62,572</b>	<b>(12,766)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(7,708)	(15,429)
Net cash used in investing activities		(7,708)	(15,429)
Net increase/(decrease) in cash held		54,864	(28,195)
<b>Cash at the beginning of the financial year</b>		<b>64,951</b>	<b>93,146</b>
<b>Cash at the end of the financial year</b>	<b>6(a)</b>	<b>119,815</b>	<b>64,951</b>
		<b>119,815</b>	<b>64,951</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		249,950	270,766
Net profit/(loss) for the period		39,712	(20,816)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		-	-
Total equity at the end of the period		<b>289,662</b>	<b>249,950</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2008

## Note 1. Summary of significant accounting policies

### **Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

#### *Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

#### *Historical cost convention*

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

### **Receivables and payables are stated with the amount of GST included.**

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.



# Notes to the financial statements continued

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

### **Income tax**

#### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### *Deferred tax*

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### **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.

# Notes to the financial statements continued

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

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

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

# Notes to the financial statements continued

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each branch.

### **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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

#### *Estimated Impairment of Goodwill*

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

### **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is

# Notes to the financial statements continued

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

recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

### **Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **Borrowings**

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

### **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.

# Notes to the financial statements continued

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## 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 Bank Limited.

### (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 Bank Limited mitigates this risk significantly.

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

Interest-bearing assets are held with Bendigo Bank Limited 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 Bank Limited mitigates this risk significantly.

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 3. Revenue from ordinary activities</b>		
<b>Operating activities:</b>		
- services commissions	415,227	297,470
Total revenue from operating activities	415,227	297,470
<b>Non-operating activities:</b>		
- interest received	4,302	3,650
Total revenue from non-operating activities	4,302	3,650
<b>Total revenues from ordinary activities</b>	<b>419,529</b>	<b>301,120</b>

## Note 4. Expenses

<b>Depreciation of non-current assets:</b>		
- plant and equipment	1,315	901
- leasehold improvements	2,856	1,729
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	<b>16,171</b>	<b>14,630</b>
Bad debts	410	-

## Notes to the financial statements continued

	2008 \$	2007 \$
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### Note 5. Income tax expense

The components of tax expense comprise:

- Deferred tax on provisions	(5,974)	-
- Recoupment of prior year tax losses	17,298	4,867
	11,324	4,867

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit/(loss)	51,036	(25,683)
Prima facie tax on profit/(loss) from ordinary activities at 30%	15,311	(7,705)
Add tax effect of:		
- non-deductible expenses	3,600	3,600
- timing differences	(190)	660
- blackhole expenses	(1,423)	(1,423)
Current tax	17,298	(4,868)
Movement in deferred tax	10. (5,974)	-
	<b>11,324</b>	<b>(4,868)</b>

### Note 6. Cash assets

Cash at bank and on hand	21,158	24,156
Term deposits	98,657	40,795
	<b>119,815</b>	<b>64,951</b>

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	21,158	24,156
Term deposit	98,657	40,795
	<b>119,815</b>	<b>64,951</b>

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 7. Trade and other receivables</b>		
<b>Trade receivables</b>	<b>34,836</b>	<b>24,658</b>
Prepayments	6,305	3,152
Other	3,715	-
	<b>44,856</b>	<b>27,810</b>

## Note 8. Property, plant and equipment

### *Plant and equipment*

At cost	8,624	8,169
Less accumulated depreciation	(3,144)	(1,829)
	<b>5,480</b>	<b>6,340</b>

### *Leasehold improvements*

At cost	45,463	38,210
Less accumulated depreciation	(6,010)	(3,154)
	<b>39,453</b>	<b>35,056</b>

Total written down amount	<b>44,933</b>	<b>41,396</b>
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### **Movements in carrying amounts:**

#### *Plant and equipment*

Carrying amount at beginning	6,340	5,760
Additions	455	1,481
Less: depreciation expense	(1,315)	(901)
Carrying amount at end	5,480	6,340

#### *Leasehold improvements*

Carrying amount at beginning	35,056	22,838
Additions	7,253	13,947
Less: depreciation expense	(2,856)	(1,729)
Carrying amount at end	39,453	35,056
<b>Total written down amount</b>	<b>44,933</b>	<b>41,396</b>



## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 9. Intangible assets</b>		
Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(36,000)	(24,000)
Goodwill	70,274	70,274
	<b>24,000</b>	<b>106,274</b>

## Note 10. Deferred Tax

Deferred tax asset		
- Opening balance	50,106	45,239
Future income tax benefits attributable to losses	-	4,867
Recoupment of prior year tax losses	(17,298)	-
Deferred tax on provisions	5,974	-
<b>- Closing balance</b>	<b>38,782</b>	<b>50,106</b>

## Note 11. Trade and other payables

Trade creditors	28,308	20,665
Other creditors & accruals	3,510	3,000
	<b>31,818</b>	<b>23,665</b>

## Note 12. Provisions

Current		
Employee provisions	16,531	16,922
Non-current		
Employee provisions	4,148	-
Number of employees at year end	4	4

## Notes to the financial statements continued

	2008 \$	2007 \$
<b>Note 13. Contributed equity</b>		
425,000 Ordinary shares fully paid of \$1 each (2007: 425,000)	425,000	425,000
Less: equity raising expenses	(23,708)	(23,708)
	<b>401,292</b>	<b>401,292</b>

### Note 14. Accumulated losses

Balance at the beginning of the financial year	(151,342)	(130,526)
Net profit/(loss) from ordinary activities after income tax	39,712	(20,816)
Balance at the end of the financial year	(111,630)	(151,342)

### Note 15. Statement of cashflows

Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities

Profit/(Loss) from ordinary activities after income tax	39,712	(20,816)
<b>Non cash items:</b>		
- depreciation	4,171	2,630
- amortisation	12,000	12,000
<b>Changes in assets and liabilities:</b>		
- (increase)/decrease in receivables	(17,046)	(8,114)
- (increase)/decrease in other assets	11,324	(4,867)
- increase/(decrease) in payables	8,154	3,620
-increase/(decrease) in provisions	3,757	2,781
<b>Net cashflows provided by/(used in) operating activities</b>	<b>62,072</b>	<b>(12,766)</b>

### Note 16. Auditors' remuneration

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

- audit & review services	4,000	4,000
- non audit services	1,400	2,345
	<b>5,400</b>	<b>6,345</b>

# Notes to the financial statements continued

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## Note 17. Director and related party disclosures

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

David Wayne Emms

Ross Christopher Begent

John Henry Harwood (Resigned 31 March 2008)

Jennifer Eileen Hunter (Resigned 2 July 2007)

Cr Noel Leslie Strohfeld

Terence Edward Dhann

Keith Roy Carroll

Frank E Smith (Appointed 9 July 2007)

Lee Ryan Evans (Appointed 3 June 08)

James Alan Beveridge (Appointed 3 June 2008)

Peter McDade (Appointed 24 July 2007)

Brenton Lester McLennan (Appointed 9 July 2007)

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.

<b>Directors shareholdings</b>	<b>2008</b>	<b>2007</b>
David Wayne Emms	1,001	1,001
Ross Christopher Begent	2,001	2,001
John Henry Harwood (Resigned 31 March 2008)	1,500	1,500
Jennifer Eileen Hunter (Resigned 2 July 2007)	1,000	1,000
Cr Noel Leslie Strohfeld	501	501
Terence Edward Dhann	501	501
Keith Roy Carroll	1,501	1,501
Frank E Smith (Appointed 9 July 2007)	1,000	1,000
Lee Ryan Evans (Appointed 3 June 08)	500	500
James Alan Beveridge (Appointed 3 June 2008)	-	-
Peter McDade (Appointed 24 July 2007)	-	-
Brenton Lester McLennan (Appointed 9 July 2007)	500	500

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

## Notes to the financial statements continued

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### Note 18. Earnings per share

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	39,712	(20,816)
	<b>2008</b>	<b>2007</b>
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	425,000	425,000

### Note 19. 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 20. Contingent liabilities

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

### Note 21. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**<sup>®</sup> services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Yarraman district of Queensland.

### Note 22. Registered office/Principal place of business

The registered office and principal place of business is:

**Registered office**  
23 Toomey Street  
Yarraman QLD 4614

**Principal place of business**  
23 Toomey Street  
Yarraman QLD 4614

# Notes to the financial statements continued

## Note 23. Financial Instruments

### 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 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 Statement of Financial Position 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	Fixed interest rate maturing in											
	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash assets	20,958	27,063	-	-	-	-	-	-	200	200	0.05	0.05
Term deposit	-	-	98,657	40,795	-	-	-	-	-	-	4.89	6.10
Receivables	-	-	-	-	-	-	-	-	34,836	27,810	N/A	N/A
<b>Financial liabilities</b>												
Payables	-	-	-	-	-	-	-	-	28,308	23,665	N/A	N/A

# Director's declaration

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

In the opinion of the Directors:

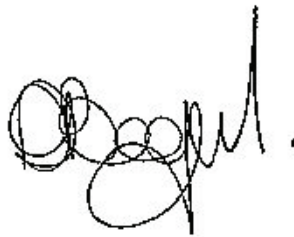
- a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
  - ii) complying with Accounting 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.
- b) 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.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

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



David Wayne Emms, Chairman



Ross Christopher Begent, Secretary

Signed on the 18th of September 2008.

# Independent audit report



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

## INDEPENDENT AUDITOR'S REPORT

To the members of Yarraman Financial Services Limited

We have audited the accompanying financial report of Yarraman Financial Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

### Directors Responsibility for the Financial Report

The Directors 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

### 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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

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.

Liability limited by a scheme approved under Professional Standards Legislation

# Independent audit report continued

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## **Independence**

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's 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**

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Yarraman Financial Services Limited as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



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

Dated this 18<sup>th</sup> day of September 2008



# BSX report

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## Share Information

In accordance with Bendigo Stock Exchange listing rules the company provides the following information as at 26 September 2008, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

<b>Number of Shares Held</b>	<b>Number of Shareholders</b>
1 to 1,000	174
1,001 to 5,000	44
5,001 to 10,000	12
10,001 to 100,000	3
100,001 and over	nil
<b>Total Shareholders</b>	<b>233</b>

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There is one shareholder holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders.

<b>Shareholder</b>	<b>Number of Shares</b>	<b>Percentage of Capital</b>
John B Adams	27,000	6.35%
Nathan G Daley	20,000	4.71%
Toowoomba Regional Council	20,000	4.71%
Paul B & Janice M Charlton	10,000	2.35%
Malcolm, Skene & Michael Finlayson	10,000	2.35%
James N & Elizabeth A Fowler	10,000	2.35%
Graeme A & Elizabeth A Hanisch	10,000	2.35%
John Hyslop	10,000	2.35%
Kerry C Wyvill	10,000	2.35%
James A & Robin K Morrison	10,000	2.35%
	<b>137,000</b>	<b>0</b>

# BSX report continued

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## **Registered Office and Principal Administrative Office**

The registered office of the company is located at:

23 Toomey Street  
Yarraman QLD 4614  
Phone: (07) 4163 8162

The principal administrative office of the company is located at:

23 Toomey Street  
Yarraman QLD 4614  
Phone: (07) 4163 8162

## **Security Register**

The security register (share register) is kept at:

Computershare, GPO Box 2975  
Melbourne VIC 3001  
Phone: (03) 9145 4000

## **Company Secretary**

Ross Begent has been the Company Secretary of Yarraman Financial Services since the commencement of the Company in April 2005.

Ross Begent's qualifications and experience include being the voluntary Secretary of a major employment organisation, Director of a State Government Small Business Agency and Ministerial Advisor on business policy. Ross is currently employed as an Economic Development Officer with Toowoomba Regional Council and has been appointed as a Community Bank Mentor by Bendigo Bank Limited.

## **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 Frank Smith, Wayne Emms and the Branch Manager.
- b) Directors performance reviews.
- c) Director approval of operating budgets and monitoring of progress against these budgets;
- d) Ongoing Director training and active Director participation in an annual strategic planning and objective setting workshop.
- e) Monthly Director meetings to discuss performance and strategic plans.

## **Annexure 3A**

There are no material differences between the information in the company's Annexure 3A and the information in the financial documents in its annual report.

Yarraman & District **Community Bank**<sup>®</sup> Branch  
23 Toomey Street, Yarraman QLD 4614  
Phone: (07) 4163 8162

Franchisee: Yarraman Financial Services Limited  
23 Toomey Street, Yarraman QLD 4614  
Phone: (07) 4163 8162  
ABN 57 113 889 768

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

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178. AFSL 237879. (KKQAR8012) (09/08)

