annual report | 2009

Varsity Lakes Financial
Services Limited
ABN 57 127 396 454

Varsity Lakes **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2009

It is with pleasure that I bring to you, on behalf of the Directors, the Annual Report for the year ending 30 June 2009.

This year has been a year of great success and great challenge. We opened our doors at Shop 7, 195 Varsity Parade, Varsity Lakes on 30 September 2008 with strong support from our local community. Since then we have continued to grow our customer base through our commitment to the local community. Our growth has been in the midst of some great financial challenges in the Australian economy.

Varsity Lakes **Community Bank®** Branch is not immune to the wider economic challenges but we are perhaps healthier and stronger than some of our counterparts.

Our **Community Bank®** branch is a franchise of Bendigo and Adelaide Bank Ltd and is one of six **Community Bank®** branches now established on the Gold Coast and one of 242 throughout Australia. Our branch is still only one of two retail bank/financial institutions located within the business hub (Market Square) of the Varsity Lakes community.

As at the end of June 2009 our business growth was $18.3 million, an outstanding result in what has been a very difficult time.

Our contribution to the Varsity Lakes community has extended to supporting several worthwhile community projects and groups including:

- Sponsoring Varsity College's 'Learn to sail' program
- Joint sponsoring the Central Gold Coast Chamber of Commerce
- Sponsorship the Varsity Lakes Business Forum
- Assisted with mentoring Bond University students
- Offered our branch services for Bond University students to conduct a consumer research project
- Sponsored the community event 'Varsity Under the Stars'

Our banking business is growing month by month as we fulfil the need for a local bank in the Varsity Lakes community.

As our **Community Bank®** branch continues to grow we will continue to reinvest in community events or programs, such as the upcoming Varsity Lakes Christmas Carols and local business promotions via the Central Gold Coast Chamber of Commerce and the Varsity Central business community.

I thank my fellow Directors of Varsity Lakes Financial Services Limited - Mr. Nic Rone, Mr. Nick Suddes, Mr. Wayne Clinton, Mr. Stuart Leo, Mr. Stephen Simpson and Mr. Chris Gregory.

Our Directors are passionate local business and community leaders who volunteer their time in the interests of the Varsity Lakes community.

Chairman's report continued

I thank Steve Foster our Branch Manager and his team - Chloe, Melissa and Jo - you all have contributed to a prosperous year and we look forward to another rewarding year ahead.

I also express my sincere thanks to all shareholders for their wholehearted support during these tough economic times.

I encourage you as our local community to get involved either as a customer of our **Community Bank®** branch or through requesting support through out Community Sponsorship program.

Our branch trades Monday through to Saturday, which makes banking more accessable for our weekday working customers. If you haven't opened an account yourself, we urge you to consider the benefits of supporting your Company and your community. Also refer your friends and family to our branch.

Thank you for your continued support.

Carl Bruhn
Chairman

Manager's report

For year ending 30 June 2009

This is the first full year of trading for our Varsity Lakes **Community Bank®** Branch, and during this time we have achieved good business growth in what has been a difficult year for many.

As at 30 June 2009, our Branch had total banking business of $18.3 million and more than 480 account holders. Varsity Lakes **Community Bank®** Branch has been well supported by local businesses, families and organisations.

Our challenge ahead is to continue to grow the business and your on-going support will be vital to the development of your **Community Bank®** branch. I believe the best advocates of our branch are our shareholders and their family, friends and neighbours. If you haven't already done so, I encourage you to call in and try out our friendly service. Please feel free to talk to myself and my branch staff regarding loans, investments, business, personal accounts and insurance.

I would like to acknowledge the support of the Board of Directors who volunteer their time each week and the management from Bendigo and Adelaide Bank Ltd. I would also like to thank our branch staff, Melissa, Chloe & Jo for their contribution in helping our business grow.

We look forward to your support to ensure we have a successful year ahead.

Kind Regards

S. Foster

Steven Foster
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

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

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

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

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

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

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

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

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

Russell Jenkins
Chief General Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

Directors

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

Carl Francis Bruhn
(Appointed 16 July 2008)
Chairman
Age: 43
Senior Project Director

Jillian Daphne Owen
(Resigned 30 March 2009)
Secretary
Age: 63
Community Development Officer

Donna Maree Russo
(Resigned 25 March 2009)
Director
Age: 46
Licensed Real Estate Agent

Nicholas Robert Rone
Director
Age: 42
Managing Director

Angela Leah McGregor-Goodwin
(Resigned 25 March 2009)
Director
Age: 40
Managing Director

Bruce Robert Barclay
(Resigned 4 July 2008)
Director
Age: 48
Managing Director

Nicholas Guy Fortune Suddes
(Appointed 3 September 2008)
Treasurer
Age: 41
Accounting & Business Partner

Wayne McArthur Clinton
Secretary
Age: 56
Disability Support Services Manager

Stephen John Simpson
Director
Age: 51
State Community Enterprise Manager

John Patrick Campbell
(Resigned 18 June 2009)
Director
Age: 66
Public Relations Consultant

Christopher Gordon Gregory
Director
Age: 63
International Business Consultant

Stuart Douglas Leo
(Appointed 25 March 2009)
Director
Age: 31
Marketing Professional

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

Wayne McArthur Clinton was appointed as Company Secretary upon the resignation of Jillian Daphne Owen on 22 April 2009. Jillian Daphne Owen was appointed as Company Secretary upon the Company's incorporation on 5 September 2007.

Wayne is the former President of Gold Coast Community Care Incorporated and holds a B Sc (Monash 1975) and Bdhons (MCD 1980). Wayne is currently employed as a Manager of Bethany Care Limited, a not for profit government funded disability services provider.

Principal activities

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

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

Operating results

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

Year ended 30 June 2009 $	Year ended 30 June 2008 $
(202,517)	664

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 16 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

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

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

Directors' meetings

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

	Number of Board meetings eligible to attend	Number attended
Carl Francis Bruhn (Appointed 16 July 2008)	19	17
Nicholas Guy Fortune Suddes (Appointed 3 September 2008)	13	12
Jillian Daphne Owen (Resigned 30 March 2009)	17	11
Wayne McArthur Clinton	20	18
Donna Maree Russo (Resigned 25 March 2009)	16	14
Stephen John Simpson	20	14
Nicholas Robert Rone	20	15
John Patrick Campbell (Resigned 18 June 2009)	19	18
Angela Leah McGregor-Goodwin (Resigned 25 March 2009)	17	9
Christopher Gordon Gregory	20	13
Bruce Robert Barclay (Resigned 4 July 2008)	0	0
Stuart Douglas Leo (Appointed 25 March 2009)	3	3

Directors' report continued

Non audit services

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

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

Signed in accordance with a resolution of the Board of Directors at on 26 August 2009.

Nicholas Guy Fortune Suddes
Treasurer

Wayne McArthur Clinton
Secretary

Auditor's independence declaration

AFS
partners in success
Chartered Accountants & Business Advisors

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Bendigo VIC 3550
Phone (03) 5443 0344
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Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Varsity Lakes 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 2009 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; 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 26 day of August 2009

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenues from ordinary activities	3	123,055	3,245
Salaries and employee benefits expense		(184,074)	-
Charitable donations, sponsorship, advertising & promotion		(10,674)	(593)
Occupancy and associated costs		(31,441)	-
Systems costs		(21,279)	-
Depreciation and amortisation expense	4	(26,115)	-
Finance costs	4	(50)	-
General administration expenses		(51,939)	(1,988)
Profit before income tax expense		**(202,517)**	**664**
Income tax expense	5	-	-
Profit for the period		**(202,517)**	**664**
Profit attributable to members of the entity		**(202,517)**	**664**
Earnings per share (cents per share)		**¢**	**¢**
- basic for profit for the year	18	(32.25)	0.76

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Assets			
Current assets			
Cash assets	6	134,959	550,411
Trade and other receivables	7	14,536	3,907
Total current assets		**149,495**	**554,318**
Non-current assets			
Property, plant and equipment	8	182,202	-
Intangible assets	9	93,500	-
Total non-current assets		**275,702**	**-**
Total assets		**425,197**	**554,318**
Liabilities			
Current liabilities			
Trade and other payables	10	29,166	18,050
Total current liabilities		**29,166**	**18,050**
Total liabilities		**29,166**	**18,050**
Net assets		**396,031**	**536,268**
Equity			
Issued capital	12	597,884	535,604
Retained earnings	13	(201,853)	664
Total equity		**396,031**	**536,268**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Total equity at the beginning of the period		536,268	-
Net loss for the period		(202,517)	664
Net income/expense recognised directly in equity		-	-
Total loss recognised by the entity		**333,751**	**664**
Dividends provided for or paid		-	-
Shares issued during period		65,990	555,719
Costs of issuing shares		(3,710)	(20,115)
Total equity at the end of the period		**396,031**	**536,268**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Receipts from customers		115,177	-
Payments to suppliers and employees		(304,486)	(1,694)
Interest received		13,444	1
Interest paid		(50)	-
Net cash provided by operating activities	**14**	**(175,915)**	**(1,693)**
Cash flows from investing activities			
Payments for property, plant and equipment		(191,817)	-
Payments for intangible assets		(110,000)	-
Net cash used in investing activities		**(301,817)**	**-**
Cash flows from financing activities			
Proceeds from issues of equity securities		65,990	555,719
Payment for share issue costs		(3,710)	(3,615)
Net cash provided by financing activities		**62,280**	**552,104**
Net increase in cash held		**(415,452)**	**550,411**
Cash at the beginning of the financial year		550,411	-
Cash at the end of the half-year	**6(a)**	**134,959**	**550,411**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

Intangibles

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

Trade receivables and payables

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

Borrowings

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

Financial instruments

<u>Recognition and initial measurement</u>

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument. Financial instruments are classified and measured as set out below.

<u>Derecognition</u>

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

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 2. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Ltd.

Note 2. Financial risk management (continued)

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo and Adelaide Bank Ltd mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo and Adelaide Bank Ltd mitigates this risk significantly.

(vi) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

Notes to the financial statements continued

	2009 $	2008 $

Note 3. Revenue from ordinary activities

	2009 $	2008 $
Operating activities:		
- services commissions	111,809	-
Total revenue from operating activities	**111,809**	**-**
Non-operating activities:		
- interest receivable	11,246	3,245
Total revenue from non-operating activities	**11,246**	**3,245**
Total revenues from ordinary activities	**123,055**	**3,245**

Note 4. Expenses

	2009 $	2008 $
Depreciation of non-current assets:		
- plant and equipment	4,621	-
- leasehold improvements	4,994	-
Amortisation of non-current assets:		
- franchise agreement	1,500	-
- start up costs	15,000	-
	26,115	**-**
Finance costs:		
- interest paid	50	-
Bad debts	1,860	-

Note 5. Income tax expense

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

	2009 $	2008 $
Operating profit	(202,517)	664
Prima facie tax on profit from ordinary activities at 30%	(60,755)	199

	2009 $	2008 $
Note 5. Income tax expense (continued)		
Add tax effect of:		
- non-deductible expenses	4,950	-
- timing difference expenses	659	(973)
- blackhole expenses	(1,430)	(1,207)
Future income tax benefit not brought to account	56,576	1,981
	-	**-**
Income tax losses		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain. Future income tax benefit carried forward is:	**58,557**	**1,981**

Note 6. Cash assets

	2009 $	2008 $
Cash at bank and on hand	130,163	(1,289)
Trust account	4,796	551,700
	134,959	**550,411**

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

	2009 $	2008 $
Cash at bank and on hand	130,163	(1,289)
Trust account	4,796	551,700
	134,959	**550,411**

Note 7. Trade and other receivables

	2009 $	2008 $
Trade receivables	10,797	3,907
Other receivables	3,739	-
	14,536	**3,907**

	2009 $	2008 $

Note 8. Property, plant and equipment

	2009 $	2008 $
Plant and equipment		
At cost	134,419	-
Less accumulated depreciation	(4,621)	-
	129,798	**-**
Leasehold improvements		
At cost	57,398	-
Less accumulated depreciation	(4,994)	-
	52,404	**-**
Total written down amount	**182,202**	**-**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	-	-
Additions	134,419	-
Less: depreciation expense	(4,621)	-
Carrying amount at end	**129,798**	**-**
Leasehold improvements		
Carrying amount at beginning	-	-
Additions	57,398	-
Less: depreciation expense	(4,994)	-
Carrying amount at end	**52,404**	**-**
Total written down amount	**182,202**	**-**

Note 9. Intangible assets

	2009 $	2008 $
Franchise fee		
At cost	10,000	-
Less: accumulated amortisation	(1,500)	-
	8,500	**-**

	2009 $	2008 $

Note 9. Intangible assets (continued)

Start up costs

At cost	100,000	-
Less: accumulated amortisation	(15,000)	-
	85,000	**-**
	93,500	**-**

Note 10. Trade and other payables

Trade payables	15,233	3,850
Other creditors & accruals	13,932	14,200
	29,165	**18,050**

Note 11. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
- not later than 12 months	32,000	23,934
- between 12 months and 5 years	104,066	136,066
- greater than 5 years	-	-
	136,066	**160,000**

The lease is a non-cancellable lease with a five-year term. The lease term commenced 30 September 2008. Rent payable monthly in advance and will increase annually by CPI.

Note 12. Contributed equity

621,709 Ordinary shares fully paid of $1 each (2008:555,719)	621,709	555,719
Less: equity raising expenses	(23,825)	(20,115)
	597,884	**535,604**

Notes to the financial statements continued

Note 12. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each shareholder has the right to vote at a general meeting.

On a show of hands or a poll, each shareholder attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a shareholder and has also been appointed as proxy for another shareholder that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder only one vote, regardless of the number of shares held, is to reflect the nature of the Company as a community based Company, by providing that all shareholder s of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the Company.

(b) Dividends

Generally, dividends are payable to shareholders in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The Franchise Agreement with Bendigo and Adelaide Bank Ltd contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the Company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the Company."In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 93. As at the date of this report, the Company had 103 shareholders.

Note 12. Contributed equity (continued)

Prohibited shareholding interest (continued)

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the Company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder 's associate) to dispose of the number of shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the Constitution, shareholders acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

	2009 $	**2008 $**

Note 13. Retained earnings

Balance at the beginning of the financial year	664	-
Net profit from ordinary activities after income tax	(202,517)	664
Balance at the end of the financial year	**(201,853)**	**664**

Note 14. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash used in operating activities

Profit from ordinary activities after income tax	(202,517)	664
Non cash items:		
- depreciation	9,615	-
- amortisation	16,500	-

Notes to the financial statements continued

	2009 $	2008 $

Note 14. Statement of cash flows (continued)

Changes in assets and liabilities:		
- increase in receivables	(10,629)	(3,907)
- increase in payables	11,116	1,550
Net cash flows used in operating activities	**(175,915)**	**(1,693)**

Note 15. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:		
- audit & review services	1,200	1,200
- non audit services	3,850	5,333
	5,050	**6,533**

Note 16. Director and related party disclosures

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

Carl Francis Bruhn (Appointed 16 July 2008)

Nicholas Guy Fortune Suddes (Appointed 3 September 2008)

Jillian Daphne Owen (Resigned 30 March 2009)

Wayne McArthur Clinton

Donna Maree Russo (Resigned 25 March 2009)

Stephen John Simpson

Nicholas Robert Rone

John Patrick Campbell (Resigned 18 June 2009)

Angela Leah McGregor-Goodwin (Resigned 25 March 2009)

Christopher Gordon Gregory

Bruce Robert Barclay (Resigned 4 July 2008)

Stuart Douglas Leo (Appointed 25 March 2009)

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

During the year Varsity Lakes Financial Services Limited paid sponsorship to Varsity Lakes Community Limited of $2,000. Directors Stephen John Simpson, Nicholas Robert Rone and Carl Francis Bruhn are all members of the Board of Directors of Varsity Lakes Community Limited.

Note 16. Director and related party disclosures (continued)

Directors' shareholdings	**2009**	**2008**
Carl Francis Bruhn (Appointed 16 July 2008)	-	-
Nicholas Guy Fortune Suddes (Appointed 3 September 2008)	1,000	1,000
Jillian Daphne Owen (Resigned 30 March 2009)	1,501	1,501
Wayne McArthur Clinton	4,501	4,501
Donna Maree Russo (Resigned 25 March 2009)	2,001	2,001
Stephen John Simpson	3,001	3,001
Nicholas Robert Rone	3,001	3,001
John Patrick Campbell (Resigned 18 June 2009)	1,000	501
Angela Leah McGregor-Goodwin (Resigned 25 March 2009)	2,001	2,001
Christopher Gordon Gregory	5,001	5,001
Bruce Robert Barclay (Resigned 4 July 2008)	2,501	2,501
Stuart Douglas Leo (Appointed 25 March 2009)	-	-

Note 17. Key management personnel disclosures

No Director of the Company receives remuneration for services as a Company Director or Committee member.

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

Note 18. Earnings per share

	2009 $	**2008 $**
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	(202,517)	664

	2009 Number	**2008 Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	627,913	87,889

Notes to the financial statements continued

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®** services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being Varsity Lakes, Queensland.

Note 22. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
Shop 7,	Shop 7,
195 Varsity Parade,	195 Varsity Parade,
Varsity Lakes QLD 4227	Varsity Lakes QLD 4227

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.

Notes to the financial statements continued

Note 23. Financial instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $	2009 %	2008 %
Financial assets												
Cash assets	62,923	551,700	72,036	-	-	-	-	-	-	-	1.42	2.5
Receivables	-	-	-	-	-	-	-	-	9,751	3,907	-	-
Financial liabilities												
Interest bearing liabilities	-	1,289	-	-	-	-	-	-	-	-	-	0.05
Payables	-	-	-	-	-	-	-	-	15,233	18,050	-	-

Directors' declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and

   (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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

Nicholas Guy Fortune Suddes
Treasurer

Wayne McArthur Clinton
Secretary

Signed on 26 August 2009.

Independent audit report

Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the members of Varsity Lakes Financial Services Limited

We have audited the accompanying financial statements of Varsity Lakes Financial Services Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Varsity Lakes Financial Services Limited is in accordance with the Corporations Act 2001 including

   (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;

   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;

2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Varsity Lakes Financial Services Limited for the year ended 30 June 2009, complies with section 300A if the Corporations Act 2001.

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

Dated this 26 day of August 2009

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Bendigo Bank