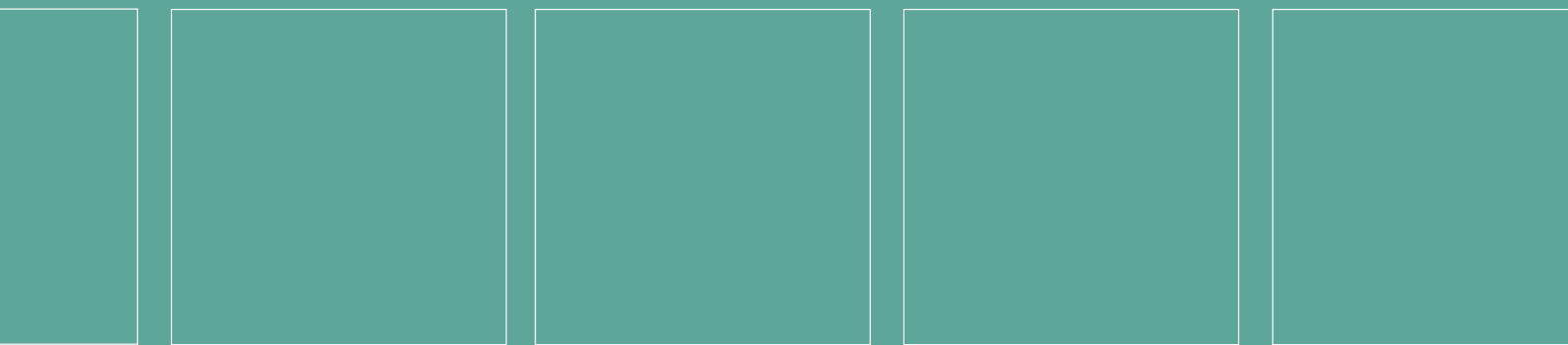


Willaura/Lake Bolac
Financial Services Limited
ABN 83 108 159 422

2008 annual report



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Chairman's report

For year ending 30 June 2008

It is with much pleasure that I present the fourth Annual Report on behalf of the Directors of the Willaura/Lake Bolac Financial Services Ltd., the controlling body of the Willaura/Lake Bolac **Community Bank**[®] Branch.

The year of 2007/8 will be remembered as the first year that our **Community Bank**[®] branch has returned a profit, income having exceeded expenses by \$28,588. The previous year we incurred a loss of \$19,443, and the year before a loss of \$85,000. This profit relates to earnings of 4.9 cents per share, compared with a loss of 3.44 cents per share the previous year. There will, however, be no dividend paid this year, but hopefully such time is not too far away. This result has been achieved by an overall increase in total business to \$39 million, an increase in total accounts held to 1450, an increase in transactions and an earnest endeavour to contain costs in a difficult environment. The easing of the drought, recovery from fire and tornado, also helped considerably.

The partnership with Bendigo Bank and more recently Bendigo/Adelaide Bank, has proved to be the right model to re-introduce banking as an essential service in our district. We are still working on some areas that can improve our partnership. We thank Bendigo Bank's staff for their continuing assistance to this enterprise.

During the year, three original Directors resigned due to personal reasons. We wish all three, Jane Millear, Russell Gordon and Dennis Cameron, all the best of health and happiness, and thank them sincerely for their efforts in the formation of our **Community Bank**[®] branch. Doug Slattery stepped down as inaugural Chairman and his efforts in that position have placed our **Community Bank**[®] branch in a strong position. Rowly Paterson has been welcomed on to the Board during the year, and his business acumen is already proving beneficial.

In the service industry, good quality staff are essential. Neil Hinkley remains as our Branch Manager, while Clare Hill and Angela McCrow have left to pursue other options. We appreciate the contribution each made in the formation of our Company. Simone Clark has been a Customer Service Officer since our opening; Jo Byron has been with us for over a year, while Kylie Spokes and Jodie Bush have joined during the year. We are very satisfied with the reliability and integrity of each one of our staff.

Your Board has been pleased to act on your behalf and assist many community organisations during the year. Grants totalling \$4450 have been given to the following;

- DNA Cancer Research Ball
- Willaura Auskick
- Moyston Willaura FNC
- Wickliffe Lake Bolac FNC
- Mininera District Netball Assoc

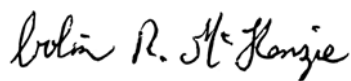
Chairman's report continued

- Bendigo Bank Mininera and District Football League
- Willaura Golf Club
- Lake Bolac Golf Club
- Lake Bolac P-12 College
- Willaura Hospital Auxiliary
- Lake Bolac and District Ladies Bowls Club

The future of our **Community Bank**[®] branch is very bright, provided that we receive strong support from most district farms and businesses. An immediate aim is to drive business to \$50 million. This level of support should enable the payment of our first dividend, and we are investigating the mechanics of that possibility. We are required to place anti jump screens in both sites, which is unbudgeted expense. We are looking to achieve more farm business, by providing better business updates by email. We have employed Lisa Heard who has considerable banking experience, as a casual book-keeper to prepare our monthly reports, and to date that move is operating very satisfactorily.

I wish to acknowledge the support of my fellow Board members during the year, especially Secretary Heather Fleming and Treasurer Scott Price. The branch team have proved very capable and have the respect of our customers. We appreciate the continuing business provided by the public, and the patience of our loyal shareholders.

Finally, I ask any local residents who do not use our **Community Bank**[®] branch, to strongly consider using the local facility, and keep employment and financial benefit in our district. Buy local, get your friends to buy local, and keep our communities viable. Your **Community Bank**[®] branch is in good shape to create further growth.



Colin R. McKenzie
Chairman

Manager's report

For year ending 30 June 2008

Since the establishment of our Willaura and Lake Bolac **Community Bank**[®] branches in November 2004 there has been solid growth in business. Our total business is \$39 million and the total number of accounts held at the two branches now exceeds 1400.

During the past 12 months we have welcomed two new staff members, Kylie Spokes and Jodie Bush. Our loyal staff are to be congratulated on their efforts in providing excellent personal service to our growing number of account holders. Feedback often received confirms that banking with us is a rewarding experience for our customers, and our staff should be proud of their achievements.

Thank you to the Board of management of Willaura/Lake Bolac Financial Services Limited. The Board continue to give their time and support to ensure the success of the **Community Bank**[®] branches in both towns.

I would also like to thank our regional office support team in Ballarat, led by Simon Cornwell, for their on going support and guidance. Bendigo Bank continues to support us with the release of new products and services. We now have Annette Blanch our financial planner available on a weekly basis for appointments, also Tavis Baker our agri-business manager available as required.

However, we must not rest here, and going forward we need to continue building our business. Over the next 12 months it is the goal of myself, the Board of management and Bendigo and Adelaide Bank to increase out total business to \$45 million.

I now invite all shareholders who have not yet changed your banking to your **Community Bank**[®] branches to call and discuss your requirements. To those shareholders who are currently utilising our facilities - we look forward to expanding our relationship further in the next 12 months.



Neil Hinkley
Branch Manager

Directors' report

For year ending 30 June 2008

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

Directors

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

Doug Laidlaw Slattery

Director

Age: 52

Occupation: Farmer

Experience and expertise: Business operator, President Willaura Golf Club, Secretary Willaura Fire Brigade, Willaura Cemetery Trust, Willaura School counsellor and a member of the Willaura Football Club Committee.

Special responsibilities: Chairman

Interests in shares: 5,001 Ordinary Shares

Heather Mary Fleming

Director

Age: 50

Occupation: Farmer

Experience and expertise: Retired secondary school teacher with numerous involvements with local community groups, current Board member of East Grampians Health Services.

Special responsibilities: Secretary

Interests in shares: 2,001 Ordinary Shares

Scott Hedley Price

Director

Age: 37

Occupation: Farmer

Experience and expertise: Holds Ass Dip of Resource Management, current member of the CFA (Ist. Lt.), current Treasurer of Moyson Willaura Football Club and President of Willaura Recreation Reserve.

Special responsibilities: Treasurer

Interests in shares: 3,001 Ordinary Shares

Colin Robert McKenzie

Director

Age: 66

Occupation: Farmer

Experience and expertise: Business operator, councillor for Ararat Rural City Council, involved in various sporting and cultural organisations.

Special responsibilities: Vice Chairman

Interests in shares: 15,001 Ordinary Shares

Directors' report continued

Robert Angus Fraser

Director

Age: 62

Occupation: Farmer

Experience and expertise: Business operator, past President of Carranballac Progress Association, Shire of Ripon, Lake Bolac Young Farmers Club, Mt Emu Creek Landcare Group and CFA member.

Special responsibilities: Nil

Interests in shares: 15,001 Ordinary Shares

Paul David Brumby

Director

Age: 44

Occupation: General Manager Corporate Services

Experience and expertise: Holds a Bachelor of Business and is currently employed as a financial manager.

Special responsibilities: Nil

Interests in shares: 5,101 Ordinary Shares

Virginia Mary (Jane) Millear

(Resigned 22 November 2007)

Director

Age: 66

Occupation: Farmer

Experience and expertise: Business operator

Special responsibilities: Nil

Interests in shares: 9,601 Ordinary Shares

Allan Russell Gordon

(Resigned 20 December 2007)

Director

Age: 53

Occupation: Rural retail business

Experience and expertise: Business operator

Special responsibilities: Nil

Interests in shares: 10,001 Ordinary Shares

Colleen Anne Peacock

Director

Age: 56

Occupation: Hairdresser/Business operator

Experience and expertise: Business operator

Special responsibilities: Nil

Interests in shares: 3,001 Ordinary Shares

Geoff Raymond Pritchard

Director

Age: 61

Occupation: Farmer

Experience and expertise: Farmer

Special responsibilities: Nil

Interests in shares: 6,000 Ordinary Shares

Denis William Cameron

(Resigned 19 June 2008)

Director

Age: 59

Occupation: Rural retail business

Experience and expertise: Business operator

Special responsibilities: Nil

Interests in shares: 1,501 Ordinary Shares

Rowland Woolcock Paterson

(Appointed 20 November 2007)

Director

Age: 53

Occupation: Primary Producer

Experience and expertise: Involvement in local organisations and current Chairman of Ace Radio Broadcaster.

Special responsibilities: Nil

Interests in shares: 5,000 Ordinary Shares

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

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

Directors' report continued

Company Secretary

The Company Secretary is Heather Fleming. Heather Fleming was appointed to the position of Secretary on 27 February 2004. She is a former School Teacher and current Farmer holding numerous voluntary Secretary positions within the community.

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 30 June 2008	Year ended 30 June 2007
\$	\$
27,635	(19,443)

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' report continued

Directors' benefits

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

Indemnification and insurance of Directors and Officers

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

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

Directors meetings

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

	Number of Board meetings eligible to attend	Number attended
Doug Laidlaw Slattery	10	4
Heather Mary Fleming	10	9
Scott Hedley Price	10	8
Colin Robert McKenzie	10	9
Robert Angus Fraser	10	9
Paul David Brumby	10	7
Virginia Mary (Jane) Millear (Resigned 22 November 2007)	2	1
Allan Russell Gordon (Resigned 20 December 2007)	3	0
Colleen Anne Peacock	10	7
Geoff Raymond Pritchard	10	8
Denis William Cameron (Resigned 19 June 2008)	10	0
Rowland Woolcock Paterson (Appointed 20 November 2007)	7	6

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.

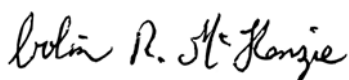
The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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 Lake Bolac, Victoria on 21 August 2008.



Colin Robert McKenzie
Chairman



Scott Hedley Price
Treasurer

Auditor's independence declaration



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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Willaura/Lake Bolac 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 21st day of August 2008

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	327,561	248,729
Salaries and employee benefits expense		(147,223)	(131,933)
Advertising and promotion expenses		(5,455)	(2,327)
Occupancy and associated costs		(19,712)	(20,419)
Systems costs		(37,286)	(33,897)
Depreciation and amortisation expense	4	(26,691)	(24,406)
General administration expenses		(54,922)	(60,902)
Profit/(loss) before income tax expense/credit		36,272	(25,155)
Income tax (expense)/credit	5	(7,684)	5,713
Profit/(loss) for the period		28,588	(19,442)
Profit/(loss) attributable to members of the entity		28,588	(19,442)
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	4.90	(3.44)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Assets			
Current assets			
Cash assets	6	80,539	31,576
Trade and other receivables	7	30,347	20,003
Total current assets		110,886	51,579
Non-current assets			
Property, plant and equipment	8	149,618	138,635
Intangible assets	9	16,000	28,000
Deferred tax assets	10	92,625	100,309
Total non-current assets		258,243	266,944
Total assets		369,129	318,523
Liabilities			
Current liabilities			
Trade and other payables	11	17,339	14,924
Borrowings	12	6,727	-
Provisions	13	10,431	14,221
Total current liabilities		34,497	29,145
Non-current liabilities			
Borrowings	12	13,739	-
Provisions	13	2,927	-
Total non-current liabilities		16,666	-
Total liabilities		51,163	29,145
Net assets		317,966	289,378
Equity			
Issued capital	14	565,866	565,866
Accumulated losses	15	(247,900)	(276,488)
Total equity		317,966	289,378

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		318,869	239,198
Payments to suppliers and employees		(266,802)	(247,368)
Interest received		2,104	1,060
Income taxes paid		-	(9)
Net cash provided by/(used in) operating activities	16	54,171	(7,119)
Cash flows from investing activities			
Payments for property, plant and equipment		(25,674)	(2,160)
Net cash used in investing activities		(25,674)	(2,160)
Cash flows from financing activities			
Proceeds from borrowings		24,328	-
Repayment of borrowings		(3,862)	-
Net cash provided by financing activities		20,466	-
Net increase/(decrease) in cash held		48,963	(9,279)
Cash at the beginning of the financial year		31,576	40,855
Cash at the end of the half-year	6(a)	80,539	31,576

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		289,379	308,821
Net profit/(loss) for the period		28,588	(19,442)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		-	-
Total equity at the end of the period		317,966	289,379

The accompanying notes form part of these financial statements.

Notes to the financial statements

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, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

Intangibles

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

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

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

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

Payment terms

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

Trade receivables and payables

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

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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 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 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	324,551	243,139
- other revenue	1,527	5,590
Total revenue from operating activities	326,078	248,729
Non-operating activities:		
- interest received	1,483	1,060
Total revenue from non-operating activities	1,483	1,060
Total revenues from ordinary activities	327,561	249,789

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	8,192	8,092
- leasehold improvements	4,314	4,314
- motor vehicle	2,185	-
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	26,691	24,406
Finance costs:		
- interest paid	1,184	-

Note 5. Income tax expense

The components of tax expense comprise:

- Deferred tax on provisions	(4,873)	-
- Recoupment of prior year tax losses	12,557	-
- Future income tax benefit attributable to losses	-	(5,713)
	7,684	(5,713)

Notes to the financial statements continued

	Note	2008 \$	2007 \$
Note 5. Income tax expense (continued)			
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)		36,272	(25,155)
Prima facie tax on profit/(loss) from ordinary activities at 30%		10,882	(7,547)
Add tax effect of:			
- non-deductible expenses		3,600	2,577
- timing difference expenses		(493)	(743)
- blackhole expenses		(1,023)	-
Current tax		12,966	(5,713)
Movement in deferred tax	10.	(5,282)	-
		7,684	(5,713)

Note 6. Cash assets

Cash at bank and on hand	29,356	21,456
Term deposits	51,183	10,120
	80,539	31,576

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	29,356	21,456
Term deposit	51,183	10,120
	80,539	31,576

Note 7. Trade and other receivables

Trade receivables	28,139	20,003
Prepayments	2,208	-
	30,347	20,003

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	64,106	62,760
Less accumulated depreciation	(28,093)	(19,901)
	36,013	42,859
Leasehold improvements		
At cost	106,243	106,243
Less accumulated depreciation	(14,781)	(10,467)
	91,462	95,776
Motor vehicles		
At cost	24,328	-
Less accumulated depreciation	(2,185)	-
	22,143	-
Total written down amount	149,618	138,635
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	42,859	48,791
Additions	1,346	2,160
Less: depreciation expense	(8,192)	(8,092)
Carrying amount at end	36,013	42,859
Leasehold improvements		
Carrying amount at beginning	95,776	100,090
Additions		
Disposals		
Less: depreciation expense	(4,314)	(4,314)
Carrying amount at end	91,462	95,776

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment		
Motor vehicles		
Carrying amount at beginning	-	-
Additions	24,328	-
Less: depreciation expense	(2,185)	-
Carrying amount at end	22,143	-
Total written down amount	149,618	138,635

Note 9. Intangible assets

Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(44,000)	(32,000)
	16,000	28,000

Note 10. Deferred tax

Deferred tax asset		
Opening balance	100,309	94,596
Future income tax benefits attributable to losses	-	5,713
Recoupment of prior year tax losses	(12,557)	-
Deferred tax on provisions	4,873	-
Closing balance	92,625	100,309

Note 11. Trade and other payables

Trade creditors	15,340	12,924
Other creditors & accruals	2,000	2,000
	17,340	14,924

Notes to the financial statements continued

	2008 \$	2007 \$
Note 12. Borrowings		
Current		
Lease liability	6,727	-
	6,727	-
Non-current		
Lease liability	16,409	-
Unexpired charges	(2,670)	-
	13,739	-

The lease liability is repayable monthly with a final balloon payment due in October 2010. Interest is recognised at an average rate of 7.9487%. The lease is secured by a chattel mortgage over the vehicle purchased.

Note 13. Provisions

Current		
Employee provisions	10,431	14,221
Non-current		
Employee provisions	2,927	-
Number of employees at year end	3	3

Note 14. Contributed equity

582,912 Ordinary shares fully paid of \$1 each (2007: 582,912)	582,912	582,912
Less: equity raising expenses	(17,046)	(17,046)
	565,866	565,866

15. Accumulated losses

Balance at the beginning of the financial year	(276,488)	(257,045)
Net profit/(loss) from ordinary activities after income tax	28,588	(19,443)
Balance at the end of the financial year	(247,900)	(276,488)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 16. 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	28,588	(19,443)
Non cash items:		
- depreciation	14,691	12,406
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- increase in receivables	(10,344)	(8,470)
- (increase)/decrease in other assets	7,684	(5,713)
- increase in payables	2,415	4,893
- increase/(decrease) in provisions	(863)	(2,792)
Net cashflows provided by/(used in) operating activities	54,171	(7,119)

Note 17. Auditors' remuneration

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

- audit & review services	3,000	3,300
- non audit services	1,714	300
	4,714	3,600

Notes to the financial statements continued

Note 18. Director and related party disclosures

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

Doug Laidlaw Slattery

Heather Mary Fleming

Scott Hedley Price

Colin Robert McKenzie

Robert Angus Fraser

Paul David Brumby

Virginia Mary (Jane) Milllear (Resigned 22 November 2007)

Allan Russell Gordon (Resigned 20 December 2007)

Colleen Anne Peacock

Geoff Raymond Pritchard

Denis William Cameron (Resigned 19 June 2008)

Rowland Woolcock Paterson (Appointed 20 November 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.

During the year Ace Radio Broadcasters supplied Willaura/Lake Bolac Financial Services Limited with radio advertising, Director Rowland Woolcock Paterson is a co-owner of Ace Radio Broadcasters. Willaura/Lake Bolac Financial Services Limited was not charged for the services.

During the year Moyston Willaura Football Netball Club received \$300 in sponsorship from Willaura/Lake Bolac Financial Services Limited, Director Scott Hedley Price is a committee member of Willaura Football Netball Club. In addition Willaura/Lake Bolac Financial Services Limited received \$467.50 from Moyston Willaura Football Netball Club for the used of the cool room owned.

During the year Willaura Golf Club received \$150 in sponsorship from Willaura/Lake Bolac Financial Services Limited, Director Doug Slattery is a committee member of Willaura Gold Club.

Lake Bolac Ladies Bowls Club received \$60 in sponsorship from Willaura/Lake Bolac Financial Services Limited, Director Colleen Peacock is a committee member of Lake Bolac Ladies Bowls Club.

Notes to the financial statements continued

Note 18. Director and related party disclosures (continued)

Directors shareholdings	2008	2007
Doug Laidlaw Slattery	5,001	5,001
Heather Mary Fleming	2,001	2,001
Scott Hedley Price	3,001	3,001
Colin Robert McKenzie	15,001	15,001
Robert Angus Fraser	15,001	15,001
Paul David Brumby	5,101	5,001
Virginia Mary (Jane) Milllear (Resigned 22 November 2007)	9,601	9,601
Allan Russell Gordon (Resigned 20 December 2007)	10,001	10,001
Colleen Anne Peacock	3,001	3,001
Geoff Raymond Pritchard	6,000	2,000
Denis William Cameron (Resigned 19 June 2008)	1,501	1,501
Rowland Woolcock Paterson (Appointed 20 November 2007)	5,000	-

Note 19. 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.

	2008	2007
	\$	\$

Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share

28,588	(19,442)
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	2008	2007
	Number	Number

(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

582,912	582,912
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Notes to the financial statements continued

Note 21. 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 22. Contingent liabilities

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

Note 23. Segment reporting

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

Note 24. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
70 Main Road, Willaura VIC 3379	70 Main Road, Willaura VIC 3379

Note 25. 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 25. Financial instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	29,356	21,456	-	-	-	-	-	-	-	-	1.75	0.05
Term deposit	-	-	51,183	10,120	-	-	-	-	-	-	5.79	4.55
Receivables	-	-	-	-	-	-	-	-	28,139	20,003	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	6,727	-	13,739	-	-	-	-	-	7.95	N/A
Payables	-	-	-	-	-	-	-	-	15,340	14,924	N/A	N/A

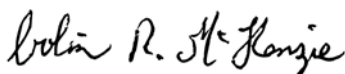
Director's declaration

In accordance with a resolution of the Directors of Willaura/Lake Bolac 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.
- (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.



Colin Robert McKenzie
Chairman



Scott Hedley Price
Treasurer

Signed on 21 August 2008.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Willaura/Lake Bolac Financial Services Limited

We have audited the accompanying financial report of Willaura/Lake Bolac 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.

Independent audit report continued

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the 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 Willaura/Lake Bolac 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 21st day of August 2008

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70 Main Street, Willaura VIC 3379
Phone: (03) 5354 1170

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ABN 83 108 159 422

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Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8076) (09/08)

