annual report | 2009

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

Willaura/Lake Bolac **Community Bank®** Branch

Reports

Chairman’s report

For year ending 30 June 2009

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

2007/08 was the first year that our **Community Bank®** branch returned a profit and we had hoped that 2008/09 would return an even stronger financial result. However, like all financial institutions, it proved a very difficult trading year, and while still trading at a profit, the $12,099 amount was considerably less than the previous year.

This profit relates to a return of 2.1 cents per share, compared with the previous year’s return of 4.9 cents per share. There will be no dividend return on shares from this result. The Board gave serious thought to this action, and although extremely keen to give a return to shareholders, it would not have been prudent in the present climate.

The Board has made continual efforts to contain costs, while still maintaining an excellent service level to our customers.

We are very proud that we have been able to re-introduce banking to our two towns and the surrounding districts, and to obtain the services of locally based staff members, all who have proved excellent ambassadors to our business. We thank all staff for their fine contribution to the growth of our business.

More recently we have obtained the services of specialist Agribusiness Manager, Mr Gavin Svanosio, who is highly regarded by all who have dealt with him. His arrival to our rural district will develop stronger links with the farming community.

We farewelled our inaugural Board Chairman, Doug Slattery during the year, and we wish him and his family well in their new home and environment. He has been replaced on the Board by Lyn Webster, who brings a great deal of business experience to the Board, and has already made a considerable contribution.

We had one change of staffing personnel during the year: Kylie Stokes took twelve months maternity leave, and has subsequently resigned. Her position was very capably filled by Jane Vallance. Neil Hinkley remains as Manager, while newly married Simone McDonald, Jo Byron and Jodie Bush continue as Customer Service Officers. All have completed their various necessary qualifications during the year.

Your Board has been pleased to assist on your behalf many community organizations during the year. Grants totalling $3,108 have been given to the following:

- Mininera and District Netball Association
- Mininera and District Football Association
- Maroona Auskick
- District News
- Lake Bolac Ladies Bowls Club

Chairman's report continued

- Lake Bolac Golf Club
- Wickliffe-Lake Bolac Football Club
- Willaura Golf Club
- Willaura Primary School
- Willaura Development Group
- Willaura Hospital Auxillary
- Willaura Auskick
- Moyston-Willaura Football-Netball Club

A business that can survive the global crisis of the last twelve months has a very bright future. Ours is no exception, provided we get continued support from our district businesses and farms. We must drive our business level higher each year, and there is ample potential to do that. Our Agribusiness Manager has many propositions that appeal to both our business and our customers. We have an e-mail update service that is available to anyone who requests it, and the numbers are growing consistently.

I acknowledge the time and effort put into our business by my fellow Directors during the year. Heather Fleming, our inaugural Secretary, has relinquished that position, and we thank her for her effort and enthusiasm over the years since we have established our **Community Bank®** branch. Geoff Pritchard is the new Secretary and Scott Price continues as our valued Treasurer.

We greatly appreciate the loyalty and support of our shareholders, and hope that the day we can reward them financially is not too far away.

Finally, I ask all district residents to consider our **Community Bank®** branch when banking business is required, as such actions will result in stronger communities and retention of local workforce personnel.

Colin R. McKenzie

Colin R. McKenzie
Chairman

Manager's report

For year ending 30 June 2009

Since our Willaura & Lake Bolac **Community Bank®** branches opened in November 2004 our total portfolio of business has grown to exceed $45 million, with some 1,621 accounts now open.

The growth of our Company in the past 12 months has seen our business increase by in excess of $6 million with approximately 220 new accounts opened.

Our staff are to be congratulated for their efforts in adopting the 'Bendigo Way' and providing excellent and friendly service to our clients. Their commitment is reflected in our continued growth over the past 12 months. In March we welcomed new staff member Jane Vallance, who has been busy at both our branches. Kylie Spokes took maternity leave with the arrival of Patrick and has now tendered her resignation.

Bendigo and Adelaide Bank Ltd continues to support us with new products and services being released. We have specialist staff available in many areas for example weekly visits by our Financial Planner Annette Blanch and our newly appointed Agri-Business Manager Gavin Svanosio.

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 Willaura/Lake Bolac **Community Bank®** Branch in our district.

I would also like to thank our regional office support team led by Simon Cornwell for their on-going support and guidance.

However, we must not rest here and it is the goal of myself, staff, Board of management and Bendigo and Adelaide Bank Ltd to increase our total business to exceed $50 million.

To our shareholders and community members who have converted their banking we look forward to further expanding our relationship over the next 12 months.

I also urge those who have converted their banking to spread the word amongst family, friends and neighbours to consider using the local **Community Bank®** branch for all their banking needs.

Neil Hinkley
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:

Doug Laidlaw Slattery (Resigned 19 June 2009)
Director
Age: 53
Occupation: Farmer
Experience and expertise: Business operator, President Willaura Golf Club, Secretary Willaura Fire Brigade, Willaura Cemetery Trust, Willaura School councilor and a member of the Willaura Football Club Committee.
Special responsibilities: Nil
Interests in shares: 5,001 Ordinary shares

Heather Mary Fleming
Director
Age: 51
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: Promotional Officer
Interests in shares: 2,001 Ordinary shares

Scott Hedley Price
Director
Age: 38
Occupation: Farmer
Experience and expertise: Holds Ass Dip of Resource Management, Captain Bornes Hill CFA brigade, Treasurer of Moyson Willaura Football Club and President of Willaura Recreation Reserve.
Special responsibilities: Treasurer
Interests in shares: 3,101 Ordinary shares

Colin Robert McKenzie
Director
Age: 67
Occupation: Farmer
Experience and expertise: Business operator, councillor for Ararat Rural City Council, involved in various sporting and cultural organisations.
Special responsibilities: 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, Mid Mt Emu Creek Landcare Group and CFA member.
Special responsibilities: Nil
Interests in shares: 15,001 Ordinary shares

Paul David Brumby
Director
Age: 45
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

Colleen Anne Peacock
Director
Age: 57
Occupation: Hairdresser/Business operator
Experience and expertise: Business operator
Special responsibilities: Nil
Interests in shares: 1,001 Ordinary shares

Geoff Raymond Pritchard
Director
Age 62
Occupation: Semi retired Farmer
Experience and expertise: Farmer. Numerous local voluntary positions, CFA & VFF member, Farmer
Special responsibilities: Company Secretary
Interests in shares: 6,000 Ordinary shares

Rowland Woolcock Paterson
Director
Age: 54
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.

Company Secretary

The Company Secretary is Geoff Pritchard. Geoff was appointed to the position of Company Secretary upon the resignation of Heather Fleming as Company Secretary on the 18 June 09. Geoff is a semi retired Farmer who is involved in many local voluntary positions. Heather is a former school teacher and current farmer holding numerous voluntary Secretary positions within the community.

Directors' report continued

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 profit of the Company for the financial year after provision for income tax was:

Year ended 30 June 2009 $	Year ended 30 June 2008 $
11,882	27,635

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 19 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 (Resigned 19 June 2009)	10	6
Heather Mary Fleming	10	10
Scott Hedley Price	10	6
Colin Robert McKenzie	10	10
Robert Angus Fraser	10	7
Paul David Brumby	10	7
Colleen Anne Peacock	10	9
Geoff Raymond Pritchard	10	7
Rowland Woolcock Paterson	10	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 Willaura, Victoria on 7 September 2009.

Colin R. McKenzie

Colin Robert McKenzie
Chairman

Scott Price

Scott Hedley Price
Treasurer

Auditor's independence declaration

AFS
partners in success
Chartered Accountants & Business Advisors

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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 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 7 day of September 2009

Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenues from ordinary activities	3	340,331	327,561
Salaries and employee benefits expense		(163,528)	(147,223)
Charitable donations, sponsorship, advertising & promotion		(4,276)	(5,455)
Occupancy and associated costs		(21,650)	(19,712)
Systems costs		(40,457)	(37,286)
Depreciation and amortisation expense	4	(28,072)	(26,691)
Finance costs	4	(1,438)	(1,184)
General administration expenses		(59,397)	(53,738)
Profit before income tax expense		**21,513**	**36,272**
Income tax expense	5	(9,631)	(7,684)
Profit for the period		**11,882**	**28,588**
Profit attributable to members of the entity		**11,882**	**28,588**

Earnings per share (cents per share)		**¢**	**¢**
- basic for profit for the year	21	2.04	4.90

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	128,524	80,539
Trade and other receivables	7	30,986	30,347
Total current assets		**159,510**	**110,886**
Non-current assets			
Property, plant and equipment	8	138,805	149,618
Intangible assets	9	4,000	16,000
Deferred tax assets	10	82,994	92,625
Total non-current assets		**225,799**	**258,243**
Total assets		**385,309**	**369,129**
Liabilities			
Current liabilities			
Trade and other payables	11	20,113	17,339
Borrowings	12	6,727	6,727
Provisions	14	14,188	10,431
Total current liabilities		**41,028**	**34,497**
Non-current liabilities			
Borrowings	12	8,450	13,739
Provisions	14	5,983	2,927
Total non-current liabilities		**14,433**	**16,666**
Total liabilities		**55,461**	**51,163**
Net assets		**329,848**	**317,966**
Equity			
Issued capital	15	565,866	565,866
Accumulated losses	16	(236,018)	(247,900)
Total equity		**329,848**	**317,966**

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		337,163	318,869
Payments to suppliers and employees		(281,871)	(266,802)
Interest received		4,679	2,104
Interest paid		(1,438)	-
Net cash provided by operating activities	**17**	**58,533**	**54,171**
Cash flows from investing activities			
Payments for property, plant and equipment		(5,259)	(25,674)
Net cash used in investing activities		**(5,259)**	**(25,674)**
Cash flows from financing activities			
Proceeds from borrowings		-	24,328
Repayment of borrowings		(5,289)	(3,862)
Net cash provided by financing activities		**(5,289)**	**20,466**
Net increase in cash held		**47,985**	**48,963**
Cash at the beginning of the financial year		80,539	31,576
Cash at the end of the half-year	**6(a)**	**128,524**	**80,539**

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		317,966	289,378
Net profit for the period		11,882	28,588
Net income/expense recognised directly in equity		-	-
Total profit/(loss) recognised by the entity		**329,848**	**317,966**
Dividends provided for or paid		-	-
Shares issued during period		-	-
Costs of issuing shares		-	-
Total equity at the end of the period		**329,848**	**317,966**

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

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

Recognition and initial measurement

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. Financial instruments are classified and measured as set out below.

Derecognition

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.

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.

	2009 $	2008 $

Note 3. Revenue from ordinary activities

Operating activities:		
- services commissions	332,529	324,551
- other revenue	1,630	1,527
Total revenue from operating activities	**334,159**	**326,078**
Non-operating activities:		
- interest received	6,172	1,483
Total revenue from non-operating activities	**6,172**	**1,483**
Total revenues from ordinary activities	**340,331**	**327,561**

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	8,528	8,192
- leasehold improvements	4,503	4,314
- motor vehicle	3,041	2,185
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	28,072	**26,691**
Finance costs:		
- interest paid	**1,438**	**1,184**

	Note	2009 $	2008 $

Note 5. Income tax expense

The components of tax expense comprise:			
- Deferred tax on provisions		(214)	(4,873)
- Recoupment of prior year tax losses		9,845	12,557
		9,631	**7,684**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		21,513	36,272
Prima facie tax on profit from ordinary activities at 30%		6,454	10,882
Add tax effect of:			
- non-deductible expenses		3,600	3,600
- timing difference expenses		814	(493)
- blackhole expenses		(1,023)	(1,023)
Current tax		9,845	12,966
Movement in deferred tax	10.	(214)	(5,282)
		9,631	**7,684**

Note 6. Cash assets

Cash at bank and on hand		61,437	29,356
Term deposits		67,087	51,183
		128,524	**80,539**
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		61,437	29,356
Term deposit		67,087	51,183
		128,524	**80,539**

	2009 $	2008 $

Note 7. Trade and other receivables

	2009 $	2008 $
Trade receivables	27,028	28,139
Prepayments	3,958	2,208
	30,986	**30,347**

Note 8. Property, plant and equipment

	2009 $	2008 $
Plant and equipment		
At cost	64,106	64,106
Less accumulated depreciation	(36,621)	(28,093)
	27,485	**36,013**
Leasehold improvements		
At cost	111,502	106,243
Less accumulated depreciation	(19,284)	(14,781)
	92,218	**91,462**
Motor Vehicles		
At cost	24,328	24,328
Less accumulated depreciation	(5,226)	(2,185)
	19,102	**22,143**
Total written down amount	**138,805**	**149,618**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	36,013	42,859
Additions	-	1,346
Less: depreciation expense	(8,528)	(8,192)
Carrying amount at end	**27,485**	**36,013**
Leasehold improvements		
Carrying amount at beginning	91,462	95,776
Additions	5,259	-
Less: depreciation expense	(4,503)	(4,314)
Carrying amount at end	**92,218**	**91,462**

Notes to the financial statements continued

	2009 $	2008 $

Note 8. Property, plant and equipment (continued)

Motor vehicles		
Carrying amount at beginning	22,143	-
Additions	-	24,328
Less: depreciation expense	(3,041)	(2,185)
Carrying amount at end	**19,102**	**22,143**
Total written down amount	**138,805**	**149,618**

Note 9. Intangible assets

Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(56,000)	(44,000)
	4,000	**16,000**

Note 10. Deferred tax

Deferred tax asset		
- Opening balance	92,625	100,309
Recoupment of prior year tax losses	(9,845)	(12,557)
Deferred tax on provisions	214	4,873
- Closing balance	**82,994**	**92,625**

Note 11. Trade and other payables

Trade creditors	17,336	15,340
Other creditors & accruals	2,777	2,000
	20,113	**17,340**

	Note	2009 $	2008 $

Note 12. Borrowings

	Note	2009 $	2008 $
Current:			
Lease liability	13.	6,727	6,727
		6,727	**6,727**
Non-current			
Lease liability	13.	8,450	13,740
		8,450	**13,740**

Note 13. Leases

	2009 $	2008 $
Finance lease commitments		
Payable — minimum lease payments		
— not later than 12 months	6,727	6,727
— between 12 months and 5 years	9,681	16,409
— greater than 5 years	-	-
Minimum lease payments	**16,408**	**23,136**
Less future finance charges	(1,231)	(2,669)
Present value of minimum lease payments	**15,177**	**20,467**

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.

	2009 $	2008 $

Note 13. Leases (continued)

Operating lease commitments

	2009 $	2008 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
not later than 12 months	5,777	13,724
between 12 months and 5 years	-	5,777
greater than 5 years	-	-
	5,777	**19,501**

Premises of both branches are non-cancellable leases with five-year terms expiring in November 2009. Rent is payable monthly in advance for the Lake Bolac branch while rent is paid annually in advance for the Willaura branch.

Note 14. Provisions

	2009 $	2008 $
Current		
Employee provisions	**14,188**	**10,431**
Non-current		
Employee provisions	**5,983**	**2,927**
Number of employees at year end	**3**	**3**

Note 15. Contributed equity

	2009 $	2008 $
582,912 Ordinary shares fully paid of $1 each (2008: 582,912)	582,912	582,912
Less: equity raising expenses	(17,046)	(17,046)
	565,866	**565,866**

Note 15. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each member 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 member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member 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 members 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 members 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").

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.

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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 member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member'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, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2009 $	2008 $
Note 16. Accumulated losses		
Balance at the beginning of the financial year	(247,900)	(276,488)
Net profit from ordinary activities after income tax	11,882	28,588
Balance at the end of the financial year	**(236,018)**	**(247,900)**
Note 17. Statement of cash flows		
Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	11,882	28,588
Non cash items:		
- depreciation	16,072	14,691
- amortisation	12,000	12,000

Notes to the financial statements continued

	2009 $	2008 $
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- increase in receivables	(639)	(10,344)
- decrease in other assets	9,631	7,684
- increase in payables	2,774	2,415
-increase/(decrease) in provisions	6,813	(863)
Net cashflows used in operating activities	**58,533**	**54,171**

Note 18. Auditors' remuneration

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

- audit & review services	3,200	3,000
- non audit services	1,730	1,714
	4,930	**4,714**

Note 19. Director and related party disclosures

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

Doug Laidlaw Slattery (Resigned 19 June 2009)

Heather Mary Fleming

Scott Hedley Price

Colin Robert McKenzie

Robert Angus Fraser

Paul David Brumby

Colleen Anne Peacock

Geoff Raymond Pritchard

Rowland Woolcock Paterson

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.

Notes to the financial statements continued

Note 19. Director and related party disclosures (continued)

Directors shareholdings	**2009**	**2008**
Doug Laidlaw Slattery (Resigned 19 June 2009)	5,001	5,001
Heather Mary Fleming	2,001	2,001
Scott Hedley Price	3,101	3,001
Colin Robert McKenzie	15,001	15,001
Robert Angus Fraser	15,001	15,001
Paul David Brumby	5,101	5,101
Colleen Anne Peacock	3,001	3,001
Geoff Raymond Pritchard	6,000	6,000
Rowland Woolcock Paterson	5,000	5,000

Note 20. 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.

	2009 $	**2008 $**
Note 21. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	11,882	28,588

	2009 Number	**2008 Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	582,912	582,912

Note 22. 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.

Notes to the financial statements continued

Note 23. Contingent liabilities

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

Note 24. 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 Willaura and Lake Bolac districts of Victoria.

Note 25. Registered office/principal place of business

The registered office and principal place of business is:

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

Note 26. 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.

Note 26. 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	61,437	29,356	67,087	-	-	-	-	-	-	-	4.57	1.75
Term deposit	-	-	-	51,183	-	-	-	-	-	-	-	5.79
Receivables	-	-	-	-	-	-	-	-	25,535	28,139	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	6,727	6,727	8,450	13,739	-	-	-	-	7.95	7.95
Payables	-	-	-	-	-	-	-	-	17,337	15,340	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 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.

Colin Robert McKenzie
Chairman

Scott Hedley Price
Treasurer

Signed on 7 September 2009

Independent audit report

Chartered Accountants & Business Advisors

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INDEPENDENT AUDITOR'S REPORT

To the members of Willaura/Lake Bolac Financial Services Limited

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

Liability limited by a scheme approved under Professional Standards Legislation

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 Willaura/Lake Bolac 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 Willaura/Lake Bolac 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 7 day of September 2009

Willaura/Lake Bolac **Community Bank**® Branch

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