

# **Paynesville & District**

## **Financial Services Limited**

### **Financial Statements**

**as at**

**30 June 2009**

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Directors' Report**

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:

**Geoffrey Douglas Brooks**

Chairman  
Age: 61  
Occupation: Consultant  
Experience and expertise: Lecturer in Hospitality at William Angliss College. Director of Bairnsdale Community College. Previously Chairman of the East Gippsland Regional Business and Tourism Association and Australian Golf Club Managers Association. Founding Director.  
Other current Directorships: Director of Bairnsdale Community College  
Former directorships in last 3 years: NIL  
Special responsibilities: Chairman of the Board, Member of Finance & Audit and Marketing & Sponsorship Committees.  
Interest in Shares: 10,001 ordinary shares (5,000 held with related parties).

**Andrew Charles Quirke**

Treasurer/Company Secretary  
Age: 48  
Occupation: Business Proprietor  
Experience and expertise: Owner and operator of local small business. Motor Mechanic. Vice President of Paynesville Business and Tourism Association. Founding Director.  
Other current Directorships: NIL  
Former Directorships in last 3 years: NIL  
Special responsibilities: Company Secretary and Treasurer. Member of Secretarial and Governance Committee  
Interest in Shares: 3,001 ordinary shares.

**Mark Anthony Kenney**

Director  
Age: 43  
Occupation: Cabinet Maker  
Experience and expertise: Owner and operator of Joinery business for the past 18 years. Founding Director.  
Other Current Directorships: Director of Paynesville Joinery Pty Ltd.  
Former Directorships in last 3 years: NIL  
Special responsibilities: Member of Properties & Facilities, Business Development and Marketing & Sponsorship Committees.  
Interest in Shares: 10,001 ordinary shares (10,000 held with related parties).

**Leslie John Mathieson**

Director  
Age: 56  
Occupation: Managing Director  
Experience and expertise: Executive appointments with East Gippsland Water for 7 years including at present Managing Director. Also Executive member of the Institute of Water Administration and Chairperson Victorian Water Industry Training Advisory Board. Former Secretary/Manager (CEO) of the Orbost Water Board.  
Other Current Directorships: Director of East Gippsland Water  
Former Directorships in last 3 years: NIL  
Special responsibilities: NIL  
Interest in Shares: NIL

**Gerard Squire Veitch**

Director  
Age: 59  
Occupation: Business Proprietor  
Experience and expertise: Marine Engineer by profession. Owner and operator of a marine contracting and construction business.  
Other current Directorships: Director of Gippsland Lakes Jetties Pty Ltd.  
Former Directorships in last 3 years: NIL  
Special Responsibilities: Member of Finance & Audit Committee.  
Interest in Shares: 10,001 ordinary shares (5,000 held with related parties).

**Robert Allen Rowe**

Director  
Age: 67  
Occupation: Retired  
Experience and expertise: Skills Developing Coordinator for three years. Prior to that, 25 years as a production foreman.  
Other current Directorships: NIL  
Former Directorships in last 3 years: NIL  
Special responsibilities: NIL  
Interest in Shares: NIL

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Directors' Report**

**Directors (continued)**

**Ellen Ruth Wilson OAM**

Director  
Age: 66  
Occupation: House Wife  
Experience and expertise: A caterer by profession and tireless community worker involved in many voluntary activities for the Paynesville community. President Ambulance Association. Founding Director.  
Other current Directorships: NIL  
Former Directorships in last 3 years: NIL  
Special Responsibilities: Member of Human Resource Committee.  
Interests in Shares: 501 ordinary shares.

**Glenn David Williams**

Director  
Age: 66  
Occupation: Retired  
Experience and expertise: Managing Director, General Advertising Co, CEO and Director Clemenger Horne Advertising. Past member Australia Day Committee, Victoria.  
Other current Directorships: NIL  
Former Directorships in last 3 years: NIL  
Special responsibilities: Chairman of Marketing & Sponsorship Committee.  
Interest in Shares: 500 ordinary shares.

**John Charles Smellin**

Director (*Resigned 15 April 2009*)  
Age: 62  
Occupation: Publican  
Experience and Expertise: Substantial administrative and management experience in public and private sector. For 17 years held positions as CEO and PEO of licensed clubs. Presently, the licensee of a hotel. Founding Director.  
Other current Directorships: Director of Mashjo Pty Ltd  
  
Former Directorships in last 3 years: NIL  
Special responsibilities: Company Secretary and Coordinator of Secretarial and Governance Committee. Public Officer for the company.  
Interest in Shares: 6,001 Ordinary Shares (6,000 held with related parties).

**Arthur Peter Huntley**

Director (*Resigned 1 December 2008*)  
Age: 63  
Occupation: Retired Accountant  
Experience and expertise: Over 25 years finance and management experience with large chemical company both within Australia and overseas.  
Other current Directorship: NIL  
Former Directorship in last 3 years: NIL  
Special responsibilities: Member of Finance & Audit Committee.  
Interest in Shares: NIL

**Andrew Sutherland McKee**

Director (*Resigned 1 December 2008*)  
Age: 63  
Occupation: Retired  
Experience and expertise: Former Sales Manager with a Unilever group for 8 years. Joint owner and franchisee specialising in fire and flood restoration for 11 years. Director and Manager of Contract Furnishing Company for 20 years.  
Other current Directorships: NIL  
Former Directorships in last 3 years: NIL  
Special responsibilities: NIL  
Interest in Shares: NIL

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 Andrew Charles Quirke. Andrew was appointed to the position of company secretary on 15 April 2009. Andrew is a founding director and accepted the appointment as secretary following the resignation of John Smellin. Andrew is a Motor Mechanic by trade and owns and operates a local small business. He is also President of the Paynesville Business and Tourism Association.

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Directors' Report**

**Principal activities**

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate a franchised branch of Bendigo & Adelaide Bank Limited.

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

**Operating Results**

The recent global financial crisis has adversely impacted the stability of the international financial system. The current global financial crisis presents a challenge for all financial institutions, including Bendigo and Adelaide Bank and in turn Paynesville & District Financial Services Limited. The duration and extent of the global financial crisis is still largely unknown and continuation of these conditions could adversely affect the ongoing financial performance or financial condition of the Company's business as a franchisee of a Community Bank® branch.

The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2009	Year ended 30 June 2008
\$	\$
(37,438)	(21,439)

**Remuneration Report**

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

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

There are therefore no specified executives whose remuneration requires disclosure.

The Branch Manager commenced employment on 21 April 2008. He receives gross remuneration of \$70,000 and employer superannuation support.

**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.

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Directors' Report**

**Directors' Benefits**

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

**Indemnification and Insurance of Directors and Officers**

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

	<b>Number of Board Meetings <u>eligible to attend</u></b>	<b><u>Number attended</u></b>
Geoffrey Douglas Brooks	13	12
Andrew Charles Quirke	13	13
Mark Anthony Kenney	13	5
Leslie John Mathieson	13	10
Gerrard Squire Veitch	13	10
Robert Allen Rowe	13	7
Ellen Ruth Wilson OAM	13	7
Glenn David Williams	13	10
John Charles Smellin ( <i>Resigned 15 April 2009</i> )	10	9
Arthur Peter Huntley ( <i>Resigned 1 December 2008</i> )	6	-
Andrew Sutherland McKee ( <i>Resigned 1 December 2008</i> )	6	4

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Directors' Report**

**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.

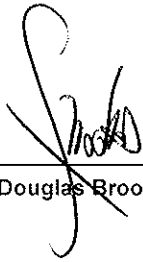
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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**

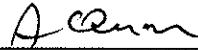
A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors at Paynesville, Victoria on 11 September 2009.



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Geoffrey Douglas Brooks, Chairman



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Andrew Charles Quirke, Treasurer/Company Secretary

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001  
to the directors of Paynesville & District 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 11<sup>th</sup> day of September 2009

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Income Statement**  
**for the year ended 30 June 2009**

	<u>Notes</u>	<b>2009</b> \$	<b>2008</b> \$
Revenues from ordinary activities	3	476,691	455,706
Salaries and employee benefits expense		(286,846)	(262,088)
Charitable donations, sponsorship, advertising & promotion		(13,768)	(2,119)
Occupancy and associated costs		(49,491)	(43,150)
Systems costs		(25,903)	(26,248)
Depreciation and amortisation expense	4	(44,084)	(49,348)
General administration expenses		(107,774)	(107,842)
<b>Loss before income tax credit</b>		<b>(51,175)</b>	<b>(35,090)</b>
Income tax credit	5	13,737	13,651
<b>Loss for the period</b>		<b>(37,438)</b>	<b>(21,439)</b>
<b>Loss attributable to members of the entity</b>		<b>(37,438)</b>	<b>(21,439)</b>
<b>Earnings per share (cents per share)</b>		<u>c</u>	<u>c</u>
- basic for profit for the year	19	(4.71)	(2.70)

The accompanying notes form part of these financial statements



Paynesville District Financial Services Limited  
 ABN 80 115 308 015  
 Balance Sheet  
 as at 30 June 2009

	<u>Notes</u>	2009 \$	2008 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash assets	6	249,438	276,862
Trade and other receivables	7	48,844	38,193
<b>Total Current Assets</b>		<u><b>298,282</b></u>	<u><b>315,055</b></u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	98,374	131,141
Intangible assets	9	41,729	47,115
Deferred tax assets	10	110,001	96,263
<b>Total Non-Current Assets</b>		<u><b>250,104</b></u>	<u><b>274,519</b></u>
<b>Total Assets</b>		<u><b>548,386</b></u>	<u><b>589,574</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	30,927	43,837
Borrowings	12	52	5
Provisions	13	22,690	15,170
<b>Total Current Liabilities</b>		<u><b>53,669</b></u>	<u><b>59,012</b></u>
<b>Non-Current Liabilities</b>			
Provisions	13	2,752	1,159
<b>Total Non-Current Liabilities</b>		<u><b>2,752</b></u>	<u><b>1,159</b></u>
<b>Total Liabilities</b>		<u><b>56,421</b></u>	<u><b>60,171</b></u>
<b>Net Assets</b>		<u><u><b>491,965</b></u></u>	<u><u><b>529,403</b></u></u>
<b>Equity</b>			
Issued capital	14	793,513	793,513
Accumulated losses	15	(301,548)	(264,110)
<b>Total Equity</b>		<u><u><b>491,965</b></u></u>	<u><u><b>529,403</b></u></u>

The accompanying notes form part of these financial statements

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Total equity at the beginning of the period	529,403	550,842
Net loss for the period	(37,438)	(21,439)
Net income/expense recognised directly in equity	-	-
Total income/expense recognised for the year	<u>(37,438)</u>	<u>(21,439)</u>
Dividends provided for or paid	-	-
Shares issued during period	-	-
Costs of issuing shares	-	-
Total equity at the end of the period	<u><u>491,965</u></u>	<u><u>529,403</u></u>

The accompanying notes form part of these financial statements

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Statement of Cashflows**  
**for the year ended 30 June 2009**

	<u>Notes</u>	2009 \$	2008 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		508,144	467,648
Payments to suppliers and employees		(544,280)	(467,987)
Interest received		14,939	19,885
Interest paid		(296)	(14)
<b>Net cash provided by/(used in) operating activities</b>	16	<u>(21,493)</u>	<u>19,532</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(5,931)	(1,500)
Payments for intangible assets		-	(45,000)
<b>Net cash used in investing activities</b>		<u>(5,931)</u>	<u>(46,500)</u>
<b>Net decrease in cash held</b>		(27,424)	(26,968)
Cash at the beginning of the financial year		276,862	303,830
<b>Cash at the end of the financial year</b>	6(a)	<u>249,438</u>	<u>276,862</u>

The accompanying notes form part of these financial statements

## 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 from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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.

### 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).

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**1. Summary of significant accounting policies (continued)**

**Income tax (continued)**

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

**Employee entitlements**

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

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.

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**1. Summary of significant accounting policies (continued)**

**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

**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.

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**1. Summary of significant accounting policies (continued)**

**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.

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.

**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.

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**1. Summary of significant accounting policies (continued)**

**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.

**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 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 and Adelaide Bank Limited mitigates this risk significantly.

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

Interest-bearing assets are held with Bendigo and Adelaide 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 and Adelaide Bank Limited 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.



**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**2. Financial Risk Management (continued)**

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.

<b>3. Revenue from ordinary activities</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- services commissions	461,752	435,813
Total revenue from operating activities	<u>461,752</u>	<u>435,813</u>
Non-operating activities:		
- interest received	14,939	19,893
Total revenue from non-operating activities	<u>14,939</u>	<u>19,893</u>
Total revenues from ordinary activities	<u><u>476,691</u></u>	<u><u>455,706</u></u>
<b>4. Expenses</b>		
Depreciation of non-current assets:		
- plant and equipment	11,424	17,290
- leasehold improvements	27,274	27,273
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
- redomiciled amount	3,386	2,785
	<u>44,084</u>	<u>49,348</u>
Finance costs:		
- interest paid	<u>296</u>	<u>14</u>

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

	2009	2008
	\$	\$
<b>5. Income tax expense</b>		
The components of tax expense comprise:		
- Deferred tax	(2,734)	(4,899)
- Future income tax benefits attributable to losses	(11,003)	(8,752)
	(13,737)	(13,651)

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

Operating profit	(51,176)	(35,090)
Prima facie tax on profit from ordinary activities at 30%	(15,353)	(10,527)
Add tax effect of:		
- non-deductible expenses	1,616	1,436
- timing difference expenses	2,734	339
Current tax	(11,002)	(8,752)
Movement in deferred tax	(2,735)	(4,899)
Deferred Tax Asset Carried Forward	(13,737)	(13,651)

10.

**6. Cash assets**

Cash at bank and on hand	26,051	276,862
Term Deposits	223,387	-
	249,438	276,862

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	26,051	276,862
Term deposit	223,387	-
	249,438	276,862

**7. Trade and other receivables**

Trade receivables	47,343	33,106
Prepayments	1,501	5,087
	48,844	38,193

**8. Property, plant and equipment**

*Plant and equipment*

At cost	117,076	111,145
Less accumulated depreciation	(59,221)	(47,797)
	57,855	63,348

*Leasehold improvements*

At cost	136,363	136,363
Less accumulated depreciation	(95,844)	(68,570)
	40,519	67,793

Total written down amount	98,374	131,141
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Paynesville District Financial Services Limited  
 ABN 80 115 308 015  
 Notes to the Financial Statements  
 for the year ended 30 June 2009

	2009	2008
	\$	\$
<b>8. Property, plant and equipment (continued)</b>		
<b>Movements in carrying amounts:</b>		
<i>Plant and equipment</i>		
Carrying amount at beginning	63,348	79,138
Additions	5,931	1,500
Disposals	-	-
Less: depreciation expense	(11,424)	(17,290)
Carrying amount at end	<u>57,855</u>	<u>63,348</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	67,793	95,066
Additions	-	-
Disposals	-	-
Less: depreciation expense	(27,274)	(27,273)
Carrying amount at end	<u>40,519</u>	<u>67,793</u>
Total written down amount	<u>98,374</u>	<u>131,141</u>
<b>9. Intangible assets</b>		
<i>Franchise Fee</i>		
At cost	10,000	10,000
Less: accumulated amortisation	(7,100)	(5,100)
<i>Redomicile Account</i>		
At cost	45,000	45,000
Less: accumulated amortisation	(6,171)	(2,785)
	<u>41,729</u>	<u>47,115</u>
<b>10. Deferred Tax</b>		
Deferred Tax		
- Opening Balance	96,263	82,612
Future income tax benefits attributable to losses	11,003	8,752
Recoupment of prior year tax losses	-	-
Deferred tax on provisions	2,735	4,899
Under/over provision in relation to prior years	-	-
- Closing Balance	<u>110,001</u>	<u>96,263</u>
<b>11. Trade and other payables</b>		
Trade Creditors	10,932	11,439
Other creditors & accruals	19,995	32,398
	<u>30,927</u>	<u>43,837</u>
<b>12. Borrowings</b>		
<i>Current:</i>		
Bank Credit Card	<u>51</u>	<u>5</u>

Paynesville District Financial Services Limited  
 ABN 80 115 308 015  
 Notes to the Financial Statements  
 for the year ended 30 June 2009

	2009	2008
	\$	\$
<b>13. Provisions</b>		
<i>Current:</i>		
Provision for annual leave	<u>22,690</u>	<u>15,170</u>
<i>Non-current:</i>		
Provision for long service leave	<u>2,752</u>	<u>1,159</u>
Number of employees at year end	<u>6</u>	<u>5</u>
<b>14. Contributed equity</b>		
793,513 Ordinary shares fully paid of \$1 each (2007: 793,513)	<u>793,513</u>	<u>793,513</u>

**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® 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 Limited 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.

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**14. Contributed equity (continued)**

**Prohibited shareholding interest**

A person must not have a prohibited shareholding interest in the Company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the Company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the Company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the Company to that person the number of shareholders in the Company is (or would be) lower than the base number (the "base number test"). The base number is 286. As at the date of this report, the Company had 319 shareholders.

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

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

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the Company or any voting power in the Company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a 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.

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

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.

<b>15. Accumulated losses</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(264,110)	(242,671)
Net loss from ordinary activities after income tax	(37,438)	(21,439)
Balance at the end of the financial year	<u>(301,548)</u>	<u>(264,110)</u>

**16. Statement of cashflows**

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

Loss from ordinary activities after income tax	(37,438)	(21,439)
Non cash items:		
- depreciation	38,698	44,563
- amortisation	5,386	4,785
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(10,651)	276
- (increase)/decrease in other assets	(13,738)	(13,651)
- increase/(decrease) in payables	(12,863)	3,869
-increase/(decrease) in provisions	9,113	1,129
Net cashflows provided by/(used in) operating activities	<u>(21,493)</u>	<u>19,532</u>

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**17. Auditors' remuneration**

Amounts received or due and receivable by  
 Andrew Frewin & Stewart for:

- audit & review services	4,200	4,000
- non audit services	-	380
	4,200	4,380

**18. Director and Related party disclosures**

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

Geoffrey Douglas Brooks  
 Andrew Charles Quirke  
 Mark Anthony Kenney  
 Leslie John Mathieson  
 Gerrard Squire Veitch  
 Robert Allen Rowe  
 Ellen Ruth Wilson OAM  
 Glenn David Williams  
 John Charles Smellin (*Resigned 15 April 2009*)  
 Arthur Peter Huntley (*Resigned 1 December 2008*)  
 Andrew Sutherland McKee (*Resigned 1 December 2008*)

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

<b>Directors shareholdings</b>	<u><b>2009</b></u>	<u><b>2008</b></u>
Geoffrey Douglas Brooks	10,001	10,001
Andrew Charles Quirke	3,001	3,001
Mark Anthony Kenney	10,001	10,001
Leslie John Mathieson	-	-
Gerrard Squire Veitch	10,001	10,001
Robert Allen Rowe	-	-
Ellen Ruth Wilson OAM	501	501
Glenn David Williams	500	500
John Charles Smellin ( <i>Resigned 15 April 2009</i> )	6,001	6,001
Arthur Peter Huntley ( <i>Resigned 1 December 2008</i> )	-	-
Andrew Sutherland McKee ( <i>Resigned 1 December 2008</i> )	-	-

There was no movement in directors shareholdings during the year.

**19. Earnings per Share**

	<u><b>2009</b></u>	<u><b>2008</b></u>
	<u><b>€</b></u>	<u><b>€</b></u>
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	(37,438)	(21,439)
	<u><b>2009</b></u>	<u><b>2008</b></u>
	<u><b>Number</b></u>	<u><b>Number</b></u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	793,513	793,513

**20. 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.

**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2009**

**21. Contingent liabilities**

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

**22. Segment reporting**

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited. The economic entity operates in one geographic area being Paynesville district, Victoria.

**23. Registered office/Principal place of business**

The registered office and principal place of business is:

Registered office  
61 The Esplanade  
Paynesville, VIC 3880

Principal place of business  
61 The Esplanade  
Paynesville, VIC 3880

**24. Financial Instruments**

**Net fair values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at the year end.

**Credit risk**

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

**Interest rate risk**

Financial instrument	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					
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Financial assets</b>												
Cash assets	25,902	19,570	223,387	257,141	-	-	-	-	150	150	4.10%	7.95%
Receivables	-	-	-	-	-	-	-	-	48,844	38,193	N/A	N/A
<b>Financial liabilities</b>												
Interest bearing liabilities	51	5	-	-	-	-	-	-	-	-	15.20%	15.75%
Payables	-	-	-	-	-	-	-	-	30,927	43,837	N/A	N/A



**Paynesville District Financial Services Limited**  
**ABN 80 115 308 015**  
**Directors' Declaration**

In accordance with a resolution of the directors of Paynesville and District 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.

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

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



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**Geoffrey Douglas Brooks, Chairman**



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**Andrew Charles Quirke, Treasurer/Company Secretary**

Signed on the 11th of September 2009.

## INDEPENDENT AUDITOR'S REPORT

To the members of Paynesville & District Financial Services Limited

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

### Directors' Responsibility for the Financial Report

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

### Auditor's Responsibility

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

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

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

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

## Independence

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

## Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Paynesville & District 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 Paynesville & District 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 11<sup>th</sup> day of September 2009