

2008 annual report



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Chairman's report

For year ending 30 June 2008

This is the first Annual Report I have delivered on behalf of the Board of Directors since I became chairman of our **Community Bank**[®] in 2007 and it's the fourth report since the Sarina **Community Bank**[®] Branch opened.

I am pleased to inform you that we again experienced solid growth throughout the past financial year. Funds under management to the end of June are just over \$64M. This is a welcome achievement and passes the targets that were set in our budget. This is also a milestone year with the Company recording its first profit.

I would like to take this opportunity to thank and commend those Directors, shareholders, customers and staff who have introduced people to our business. This is vital to our business and we must continue to encourage new people to contact and make appointments with Bill and his staff. They have the expertise and products to assist people in our community make comparative choices.

The Board of Directors has been very active again this year and has engaged with events and promotions within the community in an ongoing effort to seek opportunities to promote our **Community Bank**[®]. Thank you for your voluntary commitment, dedication and enthusiasm. It goes without saying the silent partners of our Directors are the ones that I would like to thank for their continued support and encouragement.

Thank you to Kenneth Wedel who resigned from the Board in November 2007. Ken put a lot of time and effort into the building of our **Community Bank**[®].

A special welcome is extended to new Directors Paul Marshall and Christina Brady, who joined our team this year. An invitation also exists for other shareholders and community members interested in becoming involved in our business.

Our staff are very capably led and mentored by our Manager Bill Paton. Bill and his staff have been striving to increase each customer's product mix with emphasis on tailoring a financial package that best suits that person's needs. I extend our thanks to all our staff for their efforts that have again seen our branch out perform other Company and community sites in our region.

I would like to personally thank Company Secretary Lesley Ward, and Company Treasurer Rodney Nunn. Both have advised, supported and encouraged all of our Directors. Without their tremendous effort we would not be where we are today. Rodney has been acknowledged for the second year with an announcement in the BSX news congratulating the Board as being the first Company to lodge its accounts for the financial year to 30 June 2008.

In an attempt to create awareness and exposure we have placed billboard signs north and south of Sarina on the highway. We have also smaller versions of these signs that we can move around the district. In an effort to build our loans portfolio we have placed real estate type signs with the owner and agents consent on land and homes that are for sale.

Chairman's report continued

We are pleased to have been able to support the following groups and organisations;

- Sarina Ladies Bowls Day
- Sarina Festival
- Sarina Touch Football Team (playing shirts with our branch logo)
- \$25 bank account presented to every graduating year 7 student
- Sarina Show 2007 (lucky gate ticket prize)
- Sarina Police Charity Golf Day,
- Chaplaincy Awareness Week (colouring competition)

These sponsorships have been made possible through the MDF funding provided to us by Bendigo Bank. Received as an additional income, this money is given to us monthly so we can promote our business through advertising, donations and sponsorships.

We have received valuable support from our business partner Bendigo Bank. Special thanks to Stuart Mitchell for representing Bendigo Bank at many of our Board meetings, and helping to find the answers to our questions. Thanks to Libby Gleeson our Bendigo Bank Regional Manager for her guidance and leadership in assisting Directors to make informative decisions.

It is with some sadness we farewell Peter Smith from the Board. Peter is the man who had the determination and desire to help form a **Community Bank**[®] in Sarina for the benefit of our community. Peter we thank you for your contribution to this Board and this community. We all wish you well in your retirement from the Board. While Peter is standing aside we all know he will be in the background, all too willing to help out were he can.

Where we are today is all because you, our shareholders, believed in this model and in us as Directors. For this we thank you and encourage you to continue supporting us with your banking business and help us build a strong healthy business that can have an impact on our community.



Byron Davidson
Chairman of Board of Directors



Manager's report

For year ending 30 June 2008

I am pleased to report to the Board and the shareholders on another exciting and successful years trading at Sarina & District **Community Bank**[®] Branch

During the period from 1 July 2007 to 30 June 2008 our customer account base has grown from 2,059 to 2,717 representing over 24 per cent increase in customer support within our community. During the same period our total business has grown from \$47.1 million to \$64.58 million or around 27 per cent business growth in real terms. Consequently, our growth performance has exceeded the projected growth budget significantly for the third consecutive year in a row.

This is a great achievement given the very competitive nature of the banking industry. These fantastic results further prove that the **Community Bank**[®] model is not only sustainable, but continues to be relevant and trusted by our customers.

There are many people in our community who have contributed to this success. Our obvious partners are you, the shareholders and in particular those shareholders who have shown total commitment by transferring their personal and/or business accounts to the branch.

If you haven't already done so, I urge you to consider the move – the quicker we grow our business, the sooner we distribute profits and return a dividend on your investment.

Over the past twelve months the Sarina **Community Bank**[®] Branch Bendigo Bank has once again either been directly involved with or supported a number of community projects. As we grow, our contribution to the community will be greater and more significant.

2007 – 2008 Community projects included:

- Issuing of a \$25.00 Bank account to every graduating year 7 student attending schools in the Sarina, Koumala and Carmila regions
- Sponsorship for the Sarina festival
- Sponsorship of a Sarina touch football by providing team shirts
- Sponsorship of Sarina police charity golf day
- Raising funds for Cancer by hosting 'The Biggest Morning Tea' and 'Relay For Life.'
- Various other donations of support to worthy local events / organisations.

I would like to acknowledge the efforts and support of the Chairman Byron and his team of Directors. Many people don't realise the many hours of work that they put in. It's a huge commitment, made all the more significant because it's an unpaid position. I would like to thank Ken Wedel (resigned Nov 2007) and Peter Smith (departing) for their contributions and support along the way. I would like to welcome new Directors Paul Marshall and Christina Brady.

Manager's report continued

Finally I would like to thank my staff Roanna, Mary, Trudy and Sharon – they are the face of your **Community Bank**[®] Branch and without their continued support, commitment and effort the branch would not have been able to report to you the success it has achieved to date.

I look forward to the opportunity to steer Sarina **Community Bank**[®] Branch into another busy and successful 12 months.

Let your family and friends in on the Bendigo way of banking, I'm sure they'll be pleasantly surprised.



Bill Paton

Branch Manager



Directors' report

For year ending 30 June 2008

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

Directors

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

Byron Robert Davidson

Chairman

Age: 53

Driver/Tutor Queensland Rail

Long term resident of Sarina. Extensive involvement in a number of community organisations including the SIDS Adventure Trek.

Interests in shares: 2,000

Lesley Christine Ward

Secretary

Age: 58

Business Owner

Owner Manager of a local jewellery business.

Resides of Sarina more than ten years with extensive community voluntary work including voluntary Executive Secretary of Sarina Tourist Art & Craft Centre and voluntary LifeLine councillor.

Interests in shares: 1,001

Rodney David Nunn

Treasurer

Age: 62

Retired ex-Queensland Public Service

Extensive experience in Public Service in the area of commercial law and accounting.

Interests in shares: 1,251

Bruce McDonald Fitzgerald

Director

Age: 61

Train Driver

Resident of Sarina for 34 years. Construction industry experience. Broad community involvement.

Interests in shares: 4,001

Robin John Sussens Pitcher

Director

Age: 71

Retired Council Overseer

Life long resident of Sarina. Local Government overseer of works and works Manager. Past President and Treasurer of Sarina Probus Club and Treasurer of Sarina Historical Centre. Member of the Institute of Municipal Engineering Australia and Justice of the Peace.

Interests in shares: 1,001

Kenneth John Wedel (Resigned 17 November 2007)

Director

Age: 44

Self Employed

Fifteen years rural business management. Broad community involvement. Resident for thirty years.

Interests in shares: 5,001

Directors' report continued

Peter John Smith

Director

Age: 72

Retired Retail Operator

Life long resident of Sarina. Forty years in retail business. Extensive personal links in local business community.

Interests in shares: 5,001

Sonja Synnove Solli

Director

Age: 60

Retired Primary Teacher

Long term resident of Sarina. Involved in a number of voluntary activities and community organisations such as Girl Guides, the Anglican Church, G.F.S. Leader and Parents and Citizens Association.

Interests in shares: 5,000

Helen Marie Dixon

Director

Age: 56

Farmer

Long term resident of Sarina. Extensive farming business, active within industry and community.

Interests in shares: 25,000

Paul John Marshall (Appointed 28 November 2007)

Director

Age: 43

Operational planner - Logistics Dalrymple Bay Coal Terminal

Fundraiser and participant in annual SIDS 2WD

Adventure Trek. Involved in Supply Chain Coal

Logistics for 14 years; both rail and port operations.

Interest in shares: nil

Christina Mary Brady (Appointed 23 July 2008)

Director

Age: 52

Registered Nurse and Cane Farmer

Business operator with experience in community involvement including 5 years involvement with Sarina Swimming Club.

Interests 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 Lesley Christine Ward. She was appointed to the position of secretary on 14 January 2005. Lesley has extensive experience in retail management.

Principal activities

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

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

Directors' report continued

Operating results

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

| | Year ended 30 June 2008 \$ | Year ended 30 June 2007 \$ |
|--|----------------------------------|----------------------------------|
| | 26,862 | (79,336) |

Remuneration report

No Director of the Company receives any remuneration for services as a Company Director or receives any remuneration directly or indirectly for any other purpose associated with the Company.

The Branch Manager attends all Board meetings and presents a full report to the Board of Directors. The Branch Manager advises the Directors on a number of issues but does not have any voting rights.

It is Board Policy that all staff are seconded from Bendigo Bank. As such, the Company is guided by Bendigo Bank in determining the remuneration payable to their own employees.

The Branch Manager is seconded from Bendigo Bank and as such is entitled to participate in a bonus scheme operated by Bendigo Bank. The amount of any bonus payment is tied to the outcome of annual performance review where:

- (a) such review measures performance against defined objectives noted in the position description; and
- (b) the amount of any bonus payment is not directly tied to the Company's performance; and
- (c) the annual review process has been provided by Bendigo Bank; and
- (d) the annual review process does not involve a comparison with factors external to the Company.

During the year ended 30 June 2008 the Branch Manager Mr Bill Paton was paid a base salary, plus superannuation support in the salary range \$70,000 to \$80,000 per annum. A bonus of \$4,500 was paid.

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 providing banking services to the community.

Directors' report continued

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' Benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 16 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors meetings

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

| | Number of Board Meetings eligible to attend | Number attended: |
|---|--|------------------|
| Byron Robert Davidson | 13 | 12 |
| Lesley Christine Ward | 13 | 13 |
| Rodney David Nunn | 13 | 12 |
| Bruce McDonald Fitzgerald | 13 | 13 |
| Robin John Sussens Pitcher | 13 | 12 |
| Kenneth John Wedel (Resigned 17 November 2007) | 5 | 4 |
| Peter John Smith | 13 | 12 |
| Sonja Synnove Solli | 13 | 11 |
| Helen Marie Dixon | 13 | 10 |
| Paul John Marshall (Appointed 28 November 2007) | 7 | 6 |
| Christina Mary Brady (Appointed 23 July 2008) | 0 | 0 |

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.

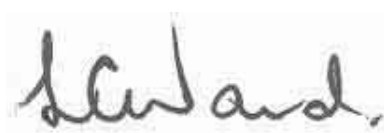
Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the Board of Directors at Sarina, Queensland 6 August 2008.



Rodney David Nunn, Treasurer



Lesley Christine Ward, Secretary



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 91 062 798 227

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the directors of Sarina and District Community Financial Services Limited**

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

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

A handwritten signature in black ink, appearing to read 'D Hutchings', is written above the name of the auditor.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 6th day of August 2008

Financial statements

Income statement For year ending 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|--|------|---------------|------------------|
| Revenues from ordinary activities | 3 | 524,229 | 332,684 |
| Salaries and employee benefits expense | | (265,664) | (253,790) |
| Advertising and promotion expenses | | (16,844) | (5,897) |
| Occupancy and associated costs | | (50,127) | (48,277) |
| Systems costs | | (24,815) | (24,431) |
| Depreciation and amortisation expense | 4 | (25,690) | (28,440) |
| General administration expenses | | (93,867) | (82,330) |
| Profit/(loss) before income tax expense/credit | | 47,222 | (110,481) |
| Income tax (expense)/credit | 5 | (20,360) | 31,145 |
| Profit/(loss) for the period | | 26,862 | (79,336) |
| Profit/(loss) attributable to members of the entity | | 26,862 | (79,336) |
| Earnings per share (cents per share) | | c | c |
| - basic for profit for the year | 17 | 3.73 | (11.02) |

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|----------------------------------|------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash assets | 6 | 111,955 | 43,054 |
| Trade and other receivables | 7 | 31,277 | 23,600 |
| Total current assets | | 143,232 | 66,654 |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 142,478 | 156,168 |
| Intangible assets | 9 | 23,310 | 35,310 |
| Deferred tax assets | 10 | 106,588 | 126,948 |
| Total non-current assets | | 272,376 | 318,426 |
| Total assets | | 415,608 | 385,080 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 6,854 | 3,188 |
| Total current liabilities | | 6,854 | 3,188 |
| Total liabilities | | 6,854 | 3,188 |
| Net assets | | 408,754 | 381,892 |
| Equity | | | |
| Issued capital | 12 | 688,018 | 688,018 |
| Accumulated losses | 13 | (279,264) | (306,126) |
| Total equity | | 408,754 | 381,892 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|--|-------------|----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 513,894 | 343,217 |
| Payments to suppliers and employees | | (447,134) | (437,564) |
| Interest received | | 2,141 | 4,596 |
| Net cash provided by/(used in) operating activities | 14 | 68,901 | (89,751) |
| Net increase/(decrease) in cash held | | 68,901 | (89,751) |
| Cash at the beginning of the financial year | | 43,054 | 132,805 |
| Cash at the end of the financial year | 6(a) | 111,955 | 43,054 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|--|------|----------------|----------------|
| Total equity at the beginning of the period | | 381,892 | 461,228 |
| Net profit/(loss) for the period | | 26,862 | (79,336) |
| Net income/expense recognised directly in equity | | - | - |
| Dividends provided for or paid | | - | - |
| Shares issued during period | | - | - |
| Total equity at the end of the period | | 408,754 | 381,892 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

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).

Notes to the financial statements continued

Note 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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

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 and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Trade receivables and payables

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

Borrowings

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

Provisions

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

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

Contributed equity

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

Earnings per share

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

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

Notes to the financial statements continued

value. The Company is not exposed to commodity price risk.

(iii) Credit Risk

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

(iv) Liquidity Risk

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

(v) Cash flow and fair value interest rate risk

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

Note 3. Revenue from ordinary activities

| | 2008 \$ | 2007 \$ |
|---|------------|------------|
| Operating activities: | | |
| - services commissions | 522,646 | 329,170 |
| Total revenue from operating activities | 522,646 | 329,170 |
| Non-operating activities: | | |
| - interest received | 1,583 | 3,514 |
| Total revenue from non-operating activities | 1,583 | 3,514 |
| Total revenues from ordinary activities | 524,229 | 332,684 |

Note 4. Expenses

Depreciation of non-current assets:

| | | |
|--------------------------|-------|-------|
| - plant and equipment | 4,092 | 6,843 |
| - leasehold improvements | 9,598 | 9,597 |

Amortisation of non-current assets:

| | | |
|-----------------------|---------------|---------------|
| - franchise agreement | 12,000 | 12,000 |
| | 25,690 | 28,440 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
|--|------------|------------|

Note 5. Income tax expense

The components of tax expense comprise:

| | | |
|--|---------------|-----------------|
| - Deferred tax on prepaid expenses | 2,550 | - |
| - Recoupment of prior year tax losses | 17,809 | - |
| - Future income tax benefit attributable to losses | - | (31,145) |
| | 20,359 | (31,145) |

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

| | | |
|--|---------------|-----------------|
| Operating profit/(loss) | 47,222 | (110,481) |
| Prima facie tax on profit/(loss) from ordinary activities at 30% | 14,167 | (33,144) |

Add tax effect of:

| | | |
|------------------------------|---------------|-----------------|
| - non-deductible expenses | 3,600 | 1,675 |
| - timing difference expenses | 1,967 | 324 |
| - blackhole expenses | (1,925) | - |
| Current tax | 17,809 | (31,145) |
| Movement in deferred tax | 10. 2,550 | - |
| | 20,359 | (31,145) |

Note 6. Cash assets

| | | |
|--------------------------|----------------|---------------|
| Cash at bank and on hand | 21,854 | 2,953 |
| Investment account | 90,101 | 40,101 |
| | 111,955 | 43,054 |

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) Reconciliation of cash

| | | |
|--------------------------|----------------|---------------|
| Cash at bank and on hand | 21,854 | 2,953 |
| Investment account | 90,101 | 40,101 |
| | 111,955 | 43,054 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|--|---------------|---------------|
| Note 7. Trade and other receivables | | |
| Trade receivables | 19,777 | 6,100 |
| Prepayments | 11,500 | 17,500 |
| | 31,277 | 23,600 |

Note 8. Property, plant and equipment

Plant and equipment

| | | |
|-------------------------------|----------|----------|
| At cost | 34,137 | 34,137 |
| Less accumulated depreciation | (17,757) | (13,665) |

Leasehold improvements

| | | |
|-------------------------------|----------------|----------------|
| At cost | 154,865 | 154,865 |
| Less accumulated depreciation | (28,767) | (19,169) |
| Total written down amount | 142,478 | 156,168 |

Movements in carrying amounts

Plant and equipment

| | | |
|--------------------------------|---------|---------|
| Carrying amount at beginning | 20,472 | 27,315 |
| Less: depreciation expense | (4,092) | (6,843) |
| Carrying amount at end of year | 16,380 | 20,472 |

Leasehold improvements

| | | |
|--------------------------------|----------------|----------------|
| Carrying amount at beginning | 135,696 | 145,293 |
| Less: depreciation expense | (9,598) | (9,597) |
| Carrying amount at end of year | 126,098 | 135,696 |
| Total written down amount | 142,478 | 156,168 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|----------------------------------|---------------|---------------|
| Note 9. Intangible assets | | |
| Franchise fee | | |
| At cost | 60,000 | 60,000 |
| Less accumulated amortisation | (36,690) | (24,690) |
| | 23,310 | 35,310 |

Note 10. Deferred tax

| | | |
|---|----------------|----------------|
| Deferred tax asset | | |
| - Opening Balance | 126,948 | 95,803 |
| Future income tax benefits attributable to losses | - | 31,145 |
| Recoupment of prior year tax losses | (17,809) | - |
| Deferred tax on prepaid expenses | (2,550) | - |
| - Closing Balance | 106,589 | 126,948 |

Note 11. Trade and other payables

| | | |
|------------------------------|--------------|--------------|
| Trade creditors | 3,854 | 188 |
| Other creditors and accruals | 3,000 | 3,000 |
| | 6,854 | 3,188 |

Note 12. Contributed equity

| | | |
|--|----------------|----------------|
| 720,109 Ordinary shares fully paid of \$1 each (2007: 720,109) | 720,109 | 720,109 |
| Less: equity raising expenses | (32,091) | (32,091) |
| | 688,018 | 688,018 |

Note 13. Accumulated losses

| | | |
|---|------------------|------------------|
| Balance at the beginning of the financial year | (306,126) | (226,790) |
| Net profit/(loss) from ordinary activities after income tax | 26,862 | (79,336) |
| Dividends Paid | - | - |
| Balance at the end of the financial year | (279,264) | (306,126) |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|---|------------|------------|
| Note 14. Cash flow statement | | |
| Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities | | |
| Profit/(Loss) from ordinary activities after income tax | 26,862 | (79,336) |
| Non cash items: | | |
| - depreciation | 13,690 | 16,440 |
| - amortisation | 12,000 | 12,000 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in receivables | (7,677) | 4,752 |
| - (increase)/decrease in other assets | 20,360 | (31,145) |
| - increase/(decrease) in payables | 3,666 | (6,746) |
| -increase/(decrease) in provisions | - | (5,716) |
| Net cashflows provided by/(used in) operating activities | 68,901 | (89,751) |

Note 15. Auditors' remuneration

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

| | | |
|---------------------------|------|------|
| - audit & review services | 4800 | 4800 |
| - non audit services | 1375 | 1100 |
| | 6175 | 5900 |

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

- Byron Robert Davidson
- Lesley Christine Ward
- Rodney David Nunn
- Bruce McDonald Fitzgerald
- Robin John Sussens Pitcher
- Kenneth John Wedel (Resigned 17 November 2007)
- Peter John Smith
- Sonja Synnove Solli
- Helen Marie Dixon
- Paul John Marshall (Appointed 28 November 2007)
- Christina Mary Brady (Appointed 23 July 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.

| Directors shareholdings | 2008 | 2007 |
|---|-------------|-------------|
| Byron Robert Davidson | 2,000 | - |
| Lesley Christine Ward | 1,001 | 1,001 |
| Rodney David Nunn | 1,251 | 1,251 |
| Bruce McDonald Fitzgerald | 4,001 | 4,001 |
| Robin John Sussens Pitcher | 1,001 | 1,001 |
| Kenneth John Wedel (Resigned 17 November 2007) | 5,001 | 5,001 |
| Peter John Smith | 5,001 | 5,001 |
| Sonja Synnove Solli | 5,000 | 1,000 |
| Helen Marie Dixon | 25,000 | 25,000 |
| Paul John Marshall (Appointed 28 November 2007) | - | - |
| Christina Mary Brady (Appointed 23 July 2008) | - | - |

Notes to the financial statements continued

Note 17. Earnings per Share

| | 2008 | 2007 |
|--|---------------|---------------|
| | \$ | \$ |
| (a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share | 26,862 | (79,336) |
| | 2008 | 2007 |
| | Number | Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 720,109 | 720,109 |

Note 18. Events occurring after the balance sheet date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 19. Contingent liabilities

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

Note 20. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Sarina and surrounding districts in Queensland.

Note 21. Registered office/Principal place of business

The registered office and principal place of business is:

| | |
|-------------------|-----------------------------|
| Registered office | Principal place of business |
| 37 Broad Street | 37 Broad Street |
| Sarina QLD 4737 | Sarina QLD 4737 |

Notes to the financial statements continued

Note 22. 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 | | | | | |
| | | | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | | | | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Financial assets | | | | | | | | | | | | |
| Cash assets | 21,854 | 2,694 | - | - | - | - | - | - | - | 269 | 0.05 | 0.05 |
| Investment account | - | - | 90,101 | 40,101 | - | - | - | - | - | - | 5.01 | 5.40 |
| Receivables | - | - | - | - | - | - | - | - | 19,777 | 23,601 | N/A | N/A |
| Financial liabilities | | | | | | | | | | | | |
| Interest bearing liabilities | - | - | - | - | - | - | - | - | - | - | N/A | N/A |
| Payables | - | - | - | - | - | - | - | - | 3,853 | 3,188 | N/A | N/A |

Director's declaration

In accordance with a resolution of the Directors of Sarina & District Community Financial Services Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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.



Rodney David Nunn, Treasurer



Lesley Christine Ward, Secretary

Signed on the 6 August 2008.

Independent audit report



PO Box 454
Bendigo VIC 3552
81-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 31 081 795 333

INDEPENDENT AUDITOR'S REPORT

To the members of Sarina and District Community Financial Services Limited

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

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

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation

Independence

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

Auditor's Opinion

In our opinion:

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



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

Dated this 6th day of August 2008

BSX report

In accordance with Bendigo Stock Exchange listing rules the Company provided the following additional information as at 31 August 2008, which is within 6 weeks of this report being sent to shareholders.

A. Distribution of equity securities

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

| Number of Shares Held | Number of Shareholders |
|-----------------------|------------------------|
| 1 to 500 | 163 |
| 501 to 1,000 | 116 |
| 1,001 to 5,000 | 119 |
| 5,001 to 10,000 | 12 |
| 10,001 to 100,000 | 5 |
| 100,001 and over | 0 |
| Total shareholders | 415 |

B. Ten largest shareholders

| Shareholder | Number of Shares | Percentage of capital |
|--|------------------|-----------------------|
| Ms Helen Marie Dixon | 25,000 | 3.47 |
| Mr. Laurence Wayne Dixon | 25,000 | 3.47 |
| Catherine Stewart Hutton | 20,000 | 2.78 |
| Ralph Godschall Johnson & Suzanne Mary Johnson | 15,001 | 2.08 |
| Joseph David Bartolo & Clare Anne Bartolo | 10,001 | 1.39 |
| Alexandra Rodrick McFadzen | 10,000 | 1.39 |
| Mr Paul Martin Bennett & Mrs Francine K.A. Bennett | 10,000 | 1.39 |
| Shirley Callander | 10,000 | 1.39 |
| Mr David Dunn | 10,000 | 1.39 |
| Laura Marisa Zunker & Eric Michael Zunker | 10,000 | 1.39 |
| Total | 145,002 | 20.14 |
| Total shares issued | 720,109 | 100 |

BSX report continued

C. Voting rights

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

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

There are 179 shareholders holding less than a marketable parcel of shares (\$500 in value).

This is based on current share price of \$0.80 per share. Their holdings total 54,901 shares.

There are no restricted securities on issue.

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

D. Registered office and principle administrative office

The registered office of the Company is located at:

37 Broad Street
Sarina Qld 4737
Telephone (07) 4943 2634

The principle administrative and business office of the Company is located at:

37 Broad Street
Sarina Qld 4737
Telephone (07) 4943 2634

E. Security Register

The security register (share register) is kept at:

Computershare Investor Service Pty Ltd
Yarra Falls
452 Johnson Street
Abbotsford VIC 3067
Telephone 1300 850 505

F. Corporate governance statement

The Board guides and monitors the business and affairs of the shareholders to whom they are accountable.

The Board has completed a set of policies and procedures that will govern our Company in the future.

The Board meets at least monthly and follows a meeting guideline. All Directors are made aware of, agenda items, and have availability to all necessary information in advance, to participate in informed discussion and decision making.

BSX report continued

G. Other information

Please refer to the annual report, for details of the Company Secretary and Directors.

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

Vision

The vision of the Company is to provide a highly reliable, but flexible and innovate family-oriented local service. It will reinvest funds to build the economy in such a way that the whole community benefits and becomes stronger.

Sarina **Community Bank**[®] Branch
37 Broad Street, Sarina QLD 4737
Phone: (07) 4943 2634

Franchisee: Sarina and District Community Financial Services Ltd
37 Broad Street, Sarina QLD 4737
Phone: (07) 4943 2634
ABN 28 112 407 182

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (KKQAR8010) (09/08)

