

2008 annual report



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Chairman's report

For year ending 30 June 2008

This is our sixth Annual Report and we have reached an Accumulated Profit enabling us to pay another unfranked dividend in December. This achievement consolidates our **Community Bank**[®] branch position. Our growth defied all expectations and we surpassed our budgeted growth by over 100%. We now have more than 3,700 accounts and increased applications for credit cards and insurance policies have meant our bottom line continues to grow.

Staff morale is the main reason for our success as the service given to our customers is second to none. This is brought about by continued staff development in the way of training courses, a real feeling of ownership within the bank, and the right mix of 'good fun'.

I could not write this report without commenting on 'our staff' winning the Hanley's Heroes Award for best performing branch for the year ending June 2008. This award is named after Rob Hanley, who oversees all the Tasmanian **Community Bank**[®] branches, and was brought into existence as a bit fun to promote interaction between the branches. Our staff considers this award prestigious and pulled out all stops to ensure that glory was theirs. Thanks to an exceptional month in June they managed to win the award from Glenorchy. Well done Team.

As the branch grew this year it became evident that we needed more staff. After advertising within the network it was recommended that the Board employ Andrew Melton as Customer Service Supervisor on a full time basis. Andrew, who lives in Glen Huon, has fitted right in to the way it's done at the Geeveston and Dover **Community Bank**[®] branches and will be an asset in the future as we expand our services.

The Board has been busy and productive over the last year with our governance well in place and a Strategic Plan adopted. These two areas were considered extremely important to me so I would like to thank the Board for their efforts.

One of the goals for consideration in the Strategic Plan is to open a **Community Bank**[®] branch in Huonville and A.T.M.'s in other neighbouring towns. We are working with the people from Bendigo Bank to ensure that we go about this using the correct procedure. I must thank the Board for their help and enthusiasm this year, it's enjoyable to be on the Board and I look forward to working with them in the next chapter of our **Community Bank**[®] branch's story.

This year Director, Jillian Griggs, resigned due to commitments in Launceston. She has been an enthusiastic and popular member of our Board and will be missed.

We have given out many grants again this year and recipients include the Huon Yacht Club, the Dover, Geeveston and Huonville Golf Clubs, the Kermandie Football Club, Eldercare, Huon Community Transport and the Geeveston District High School.

Chairman's report continued

The list of recipients is long and has reached a wide and diverse portion of the population, it is great to see the Geeveston and Dover **Community Bank**[®] branches really making a difference. Another **Community Bank**[®] program is to be conducted very soon, which is a further dividend to the community and should see the popularity of the **Community Bank**[®] branch increase.

After two payouts of 3.0 and 4.0 cents, the Board is pleased to advise shareholders that there will be an unfranked 5.0 cent dividend this year. This is good news for our shareholders and they are now being rewarded for their faith in the **Community Bank**[®] concept, although I'm sure a lot of them are just happy to see it succeed.

We have seen a number of challenges impact on the global finance environment over the past year. We have no control over this, but we are budgeting well and looking for new marketing opportunities and areas where we can grow our book. We are ready to tackle the volatile economic conditions with a professional attitude, fantastic staff, and we're confident we can move ahead solidly and consolidate our position within the Huon Valley.

In closing I must thank Tony personally for his total commitment to the bank and staff. Having never had a staff member leave and seeing the synergy that exists between them speaks volumes of his management abilities and is the obvious reason of our bank's success.

Lastly, thanks to our customers and shareholders, I believe the bank has come of age and will continue to surprise many with the value it will return to our community.

Thanks for your support.



Simon Burgess
Chairman

Manager's report

For year ending 30 June 2008

We have now completed our fifth full year of operation and I am extremely pleased to report that our business has continued to grow at a rate well in excess of that expected, with total business as at 30 June 2008 now standing at \$67.354M, with 3,762 accounts opened. This represents growth of \$13 Million (24%) and 579 accounts (18%) during this period.

Our deposits totalled \$28.733M (31.6% growth) and the Lending Portfolio \$38.621M (18.9% growth), with a further \$4M in loans either pending settlement or waiting approval.

Given that this was our fifth year of operation we could have expected our growth to slow somewhat, however the above-mentioned fantastic results not only confirms the support of the community for 'their' **Community Bank®** branch, but also gives us confidence going forward as we look to further growth. It is widely considered that the coming twelve months will prove to be a difficult time in 'banking', however, I have no doubt that with the continued support of the community we will once again meet our objectives during this period.

The continued positive manner in which our **Community Bank®** branch has been accepted and supported by people from both within and outside our immediate area has been beyond my expectations (and continues to amaze me) and only goes to show that there still is a need for good old fashioned, face to face banking services.

The results to date put to rest any doubt about the viability of our **Community Bank®** branch as we continue to generate regular monthly profits. During the last year we renewed our Franchise Agreement with Bendigo Bank Ltd for a further five years, so we are here to stay and I look forward to being of service to you in the years ahead.

Given our on-going growth it has been necessary to increase our staff numbers in order to continue to provide the service levels you have come to expect. As such, we had pleasure in appointing Andrew Melton as a Customer Service Supervisor at our Geeveston Branch in May this year. Andrew brought with him a wealth of banking experience and has been welcomed into our **Community Bank®** branch team.

The above results have not been achieved without a great deal of hard work and as such I would like to acknowledge and thank staff members Cathy Thomson, Colleen Shield, Joanne Clark, Sharee Burgess, Cathy Swan, David Clark and Andrew Melton for their commitment and on-going support during this extremely busy period.

I would also like to thank the Board of Directors for their support and guidance together with Bendigo Bank Ltd staff for their contribution to ensure the value of our partnership is maximised.

Finally, I wish to thank all of our customers and shareholders for their support and I trust that our personal service and commitment to the community will ensure the future success of the Geeveston and Dover **Community Bank®** Branch.



Tony Coulson
Manager

Directors' report

For year ending 30 June 2008

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

Directors

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

Simon Peter Burgess

Chairman
Age: 40
Orchardist

Lorraine Nita Whelan

Director
Age: 62
Small Business Owner

Robert Martin Dick

Director
Age: 56
Small Business Owner

Anthony John Clark

Director
Age: 61
Forester

David Patrick Dick

Director (Appointed 28 November 2007,
Resigned 26 August 2008)
Age: 36
Student/IT Officer

Bernard George Freeman

Director (Deceased 15 August 2008)
Age: 79
Retired Accountant

Peter Harrison Burgess

Director (Resigned 10 August 2007)
Age: 76
Orchardist

Elizabeth Keran Francis

Secretary (Appointed 5 December 2007)
Age: 67
Retired Tourism Operator

Laurence Patrick Dillon

Director (Resigned 23 August 2008)
Age: 64
Business Proprietor

Dyanna Bernice Griggs

Director
Age: 38
Bookkeeper

Debra Joy Browne

Director (Appointed 28 November 2007)
Age: 51
Administration Officer

Lesley Joan Hazelwood

Director (Appointed 28 November 2007)
Age: 57
Human Resource Manager

Jillian Kay Griggs

Director (Resigned 23 June 2008)
Age: 57
Retired

Stuart Charles Thorn

Director (Resigned 25 July 2007)
Age: 54
Business Manager

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

Directors' report continued

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

Company Secretary

The Company Secretary is Elizabeth Keran Francis. Liz was appointed Secretary of the Company on 5 December 2007 replacing Lorraine Nita Whelan. Liz has extensive senior administrative experience in the health and education areas as well as local government.

Principal activities

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

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

Operating results

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

	Year ended 30 June 2008	Year ended 30 June 2007
	\$	\$
	47,010	42,973

	Year ended 30 June 2008	
Dividends	Cents	\$
Dividends paid:	4	25,280

An unfranked dividend of 4 cents per share (\$25,280) was paid during the year ended 30 June 2008. The Directors have resolved that an unfranked dividend of 5 cents per share (\$31,600) will be paid on the 14th of December 2008.

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.

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

Indemnification and Insurance of Directors and Officers

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

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

Directors meetings

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

	Number of Board meetings eligible to attend	Number attended
Simon Peter Burgess	12	11
Elizabeth Keran Francis (Appointed 5 December 2007)	7	7
Lorraine Nita Whelan	12	11
Laurence Patrick Dillon	12	9
Robert Martin Dick	12	11
Dyanna Bernice Griggs	12	10
Anthony John Clark	12	11
Debra Joy Browne (Appointed 28 November 2007)	7	7
Lesley Joan Hazelwood (Appointed 28 November 2007)	7	5
David Patrick Dick (Appointed 28 November 2007)	7	3
Bernard George Freeman (Deceased 15 August 2008)	12	10
Jillian Kay Griggs (Resigned 23 June 2008)	11	11
Peter Harrison Burgess (Resigned 10 August 2007)	1	-
Stuart Charles Thorn (Resigned 25 July 2007)	-	-

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 9.

Signed in accordance with a resolution of the Board of Directors at Geeveston, Tasmania on 15 September 2008.



Simon Peter Burgess
Chairman



Debra Joy Browne
Director

Auditor's independence declaration



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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Huon Valley Financial Services Limited

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

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

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 15th day of September 2008

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	692,237	564,439
Salaries and employee benefits expense		(304,917)	(252,141)
Advertising and promotion		(104,342)	(25,354)
Occupancy and associated costs		(33,550)	(39,818)
Systems costs		(42,164)	(40,100)
Depreciation and amortisation expense	4	(38,570)	(29,593)
General administration expenses	4	(108,454)	(109,707)
Profit before income tax expense		60,240	67,726
Income tax expense	5	13,230	24,753
Profit for the period		47,010	42,973
Profit attributable to members of the entity		47,010	42,973
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	7.44	7.21
- dividends paid per share	19	4	3

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	186,390	198,165
Trade and other receivables	7	108,256	52,309
Total current assets		294,646	250,474
Non-current assets			
Property, plant and equipment	8	149,686	163,336
Intangible assets	9	11,101	17,044
Deferred tax asset	10	42,365	55,595
Total non-current assets		203,152	235,975
Total assets		497,798	486,449
Liabilities			
Current liabilities			
Trade and other payables	11	13,312	38,320
Interest bearing liabilities	12	7,969	4,767
Provisions	13	24,279	20,114
Total current liabilities		45,560	63,201
Non-current liabilities			
Interest bearing liabilities	12	21,805	29,774
Provisions	13	15,229	-
Total non-current liabilities		37,034	29,774
Total liabilities		82,594	92,975
Net assets		415,204	393,474
Equity			
Issued capital	14	587,085	587,085
Accumulated losses	15	(171,881)	(193,611)
Total equity		415,204	393,474

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		734,125	598,474
Payments to suppliers and employees		(707,151)	(503,366)
Interest received		12,752	6,281
Interest paid		(2,477)	(2,271)
Net inflows from operating activities	16	37,249	99,118
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	13,636
Payments for property, plant and equipment		(7,493)	(10,812)
Payments for intangible assets		(11,484)	-
Net cash inflows/(outflows) from investing activities		(18,977)	2,824
Cash flows from financing activities			
Repayment of borrowings		(4,767)	(17,944)
Dividends paid		(25,280)	(17,021)
Net cash inflows/(outflows) from financing activities		(30,047)	(34,965)
Net decrease in cash held		(11,775)	66,977
Cash at the beginning of the financial year		198,165	131,188
Cash at the end of the financial year	6(a)	186,390	198,165

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		393,474	369,461
Net profit for the period		47,010	42,973
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		(25,280)	(18,960)
Shares issued during period		-	-
Total equity at the end of the period		415,204	393,474

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 (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

Intangibles

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

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

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

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

Payment terms

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

Trade receivables and payables

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

Borrowings

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

Provisions

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

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

Contributed equity

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Earnings per share

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	679,485	549,098
- profit on sale of property, plant & equipment	-	5,814
- other income	-	1,634
Total revenue from operating activities	679,485	556,546
Non-operating activities:		
- interest received	12,752	7,893
Total revenue from non-operating activities	12,752	7,893
Total revenues from ordinary activities	692,237	564,439

Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	17,290	16,431
- leasehold improvements	3,853	3,162

Amortisation of non-current assets:

- franchise agreement	17,427	10,000
	38,570	29,593

Finance costs:

- interest on borrowings	2,477	1,575
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Note 5. Income tax expense

The components of tax expense comprise:

- Current tax	-	-
- Deferred tax on provisions	(11,103)	-
- Recoupment of prior year tax losses	24,333	24,753
- Future income tax benefit attributable to losses	-	-
	13,230	24,753

Notes to the financial statements continued

	Note	2008 \$	2007 \$
Note 5. Income tax expense (continued)			
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		60,240	67,726
Prima facie tax on profit from ordinary activities at 30%		18,072	20,318
Add tax effect of:			
- non-deductible expenses		5,390	4,444
- timing difference expenses		3,566	73
- blackhole expenses		(2,695)	(2,695)
- adjustment for prior year		-	2,613
Current tax		-	-
Movement in deferred tax	10.	(11,103)	-
		13,230	24,753

Note 6. Cash assets

Cash at bank and on hand	11,569	77,399
Investment account	24,690	-
Term deposits	150,131	120,766
	186,390	198,165

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	11,569	77,399
Investment account	24,690	-
Term deposit	150,131	120,766
	186,390	198,165

Notes to the financial statements continued

	2008 \$	2007 \$
Note 7. Trade and other receivables		
Trade receivables	58,849	47,309
Prepayments	49,407	5,000
	108,256	52,309

Note 8. Property, plant and equipment

Plant and equipment

At cost	63,315	63,315
Less accumulated depreciation	(55,800)	(46,178)
	7,515	17,137

Leasehold improvements

At cost	136,329	128,836
Less accumulated depreciation	(19,135)	(15,282)
	117,194	113,554

Motor vehicle

At cost	38,338	38,338
Less accumulated depreciation	(13,361)	(5,693)
	24,977	32,645

Total written down amount

	149,686	163,336
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	17,137	24,549
Additions	-	1,942
Disposals	-	-
Less: depreciation expense	(9,622)	(9,354)
Carrying amount at end	7,515	17,137

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	113,554	109,073
Additions	7,493	7,643
Disposals	-	-
Less: depreciation expense	(3,853)	(3,162)
Carrying amount at end	117,194	113,554
Motor vehicle		
Carrying amount at beginning	32,645	9,206
Additions	-	38,338
Disposals	-	(7,822)
Less: depreciation expense	(7,668)	(7,077)
Carrying amount at end	24,977	32,645
Total written down amount	149,686	163,336

Note 9. Intangible assets

Franchise fee		
At cost	61,484	50,000
Less: accumulated amortisation	(50,383)	(32,956)
	11,101	17,044

Note 10. Deferred tax

Deferred tax asset		
- Opening balance	55,595	80,348
Future income tax benefits attributable to losses	-	-
Recoupment of prior year tax losses	(24,333)	(24,753)
Deferred tax on provisions	11,103	-
- Closing balance	42,365	55,595

Notes to the financial statements continued

	2008 \$	2007 \$
Note 11. Trade and other payables		
Trade creditors	11,312	36,320
Other creditors & accruals	2,000	2,000
	13,312	38,320

Note 12. Borrowings

Current:

Financial leasing liability	7,969	4,767
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Non-current:

Financial leasing liability	21,805	29,774
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Note 13. Provisions

Current

Employee provisions	24,279	20,114
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Non-current

Employee provisions	15,229	-
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Number of employees at year end	4	4
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Note 14. Contributed equity

632,000 Ordinary shares fully paid of \$1 each (2007: 632,000)	632,000	632,000
Less: equity raising expenses	(44,915)	(44,915)
	587,085	632,000

Note 15. Accumulated losses

Balance at the beginning of the financial year	(193,611)	(217,624)
Net profit from ordinary activities after income tax	47,010	42,973
Dividends paid	(25,280)	(18,960)
Balance at the end of the financial year	(171,881)	(193,611)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 16. Statement of cash flows		
Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	47,010	42,973
Non cash items:		
- depreciation	21,143	19,593
- amortisation	17,427	10,000
- profit on sale of property, plant & equipment	-	(5,064)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(55,947)	6,190
- decrease in other assets	13,230	24,753
- increase/(decrease) in payables	(25,008)	5,441
- increase/(decrease) in other liabilities	19,394	(4,768)
Net cash flows used in operating activities	37,249	99,118

Note 17. Auditors' remuneration

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

- audit & review services	3,000	3,000
- non audit services	3,192	900
	6,192	3,900

Notes to the financial statements continued

Note 18. Director and related party disclosures

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

Simon Peter Burgess
Elizabeth Keran Francis (Appointed 5 December 2007)
Lorraine Nita Whelan
Laurence Patrick Dillon
Robert Martin Dick
Dyanna Bernice Griggs
Anthony John Clark
Debra Joy Browne (Appointed 28 November 2007)
Lesley Joan Hazelwood (Appointed 28 November 2007)
David Patrick Dick (Appointed 28 November 2007)
Bernard George Freeman (Deceased 15 August 2008)
Jillian Kay Griggs (Resigned 23 June 2008)
Peter Harrison Burgess (Resigned 10 August 2007)
Stuart Charles Thorn (Resigned 25 July 2007)

Director, Lorraine Whelan performed financial duties in relation to the input of information into the Company's financial software system and was paid a monthly fee. The total payments were \$3,720 (2007: \$3,713).

Lorraine performed duties of Company Secretary until 28 November 2007 and was paid a honorarium for her duties of \$667 (2007: \$1,360).

Director, Elizabeth Francis took over the role of Company Secretary on her appointment to the Board at the 28 November 2007 Board Meeting. She was paid an honorarium for her duties of \$1,167 for the 2008 financial year.

Director, Debra Browne assisted with performing the financial duties in relation to the input of information into the Company's financial software system and was paid a total of \$840 during the 2008 financial year.

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

Notes to the financial statements continued

Note 18. Director and related party disclosures (continued)

Directors shareholdings	2008	2007
Simon Peter Burgess	11,820	6,820
Elizabeth Keran Francis (Appointed 5 December 2007)	-	-
Lorraine Nita Whelan	1,000	1,000
Laurence Patrick Dillon	11,001	11,001
Robert Martin Dick	-	-
Dyanna Bernice Griggs	1,000	1,000
Anthony John Clark	1,000	1,000
Debra Joy Browne (Appointed 28 November 2007)	501	500
Lesley Joan Hazelwood (Appointed 28 November 2007)	500	500
David Patrick Dick (Appointed 28 November 2007)	-	-
Bernard George Freeman (Deceased 15 August 2008)	5,000	5,000
Jillian Kay Griggs (Resigned 23 June 2008)	2,000	2,000
Peter Harrison Burgess (Resigned 10 August 2007)	-	22,000
Stuart Charles Thorn (Resigned 25 July 2007)	2,500	2,500

Each share held is valued at \$1.

	2008	2007
	\$	\$

Note 19. Dividends paid or provided

(a) Ordinary shares

Final unfranked dividend of 4 cents per fully paid share paid on 29 December 2007

Unfranked final dividend based on 4 cents per share (2007: 3 cents)	25,280	18,960
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(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of an unfranked final dividend of 5 cents per fully paid ordinary share (2007: 4 cents).

The aggregate amount of the proposed unfranked dividend paid out of profits earned for the year ended 30 June 2008, but not recognised as a liability at year end, is	31,600	25,280
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Notes to the financial statements continued

Note 20. Key management personnel disclosures

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

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

	2008 \$	2007 \$
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Note 21. Earnings per share

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

47,010	42,973
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	2008 Number	2007 Number
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(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

632,000	632,000
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Note 22. Events occurring after the balance sheet date

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

Note 23. Contingent liabilities

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

Note 24. Segment reporting

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

Note 25. Registered office/principal place of business

The registered office and principal place of business is:

Registered office
13 Church Street,
Geeveston TAS 7116

Principal place of business
13 Church Street,
Geeveston TAS 7116
Shop 4/Southgate Shopping Centre,
Dover TAS 7117

Notes to the financial statements continued

Note 26. Financial instruments

Net fair values

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

Credit risk

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

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

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	11,369	77,199	-	-	-	-	-	-	200	200	0.05	0.05
Investment account	24,690	-	-	-	-	-	-	-	-	-	4.942	N/A
Term deposit	150,131	120,766	-	-	-	-	-	-	-	-	6.043	5.95
Receivables	-	-	-	-	-	-	-	-	108,256	52,309	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	7,969	4,767	21,805	29,774	-	-	-	-	7.63	7.63
Payables	-	-	-	-	-	-	-	-	13,312	38,320	N/A	N/A

Director's declaration

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


In the opinion of the Directors:

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

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



Simon Peter Burgess
Chairman



Debra Joy Browne
Director

Signed on 15 September 2008.

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Huon Valley Financial Services Limited

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

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

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent audit report continued

Independence

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

Auditor's Opinion

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Huon Valley 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 15th day of September 2008

Geeveston **Community Bank**[®] Branch
19 Church Street, Geeveston TAS 7116
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Dover **Community Bank**[®] Branch
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Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8029) (08/08)