

Adelong & District Financial Services Ltd

ABN 39 107 620 137

Annual Report 2008



Adelong & District
Community Bank® Branch



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CHAIRPERSONS REPORT FOR THE YEAR ENDED 30th JUNE 2008

Adelong & District Financial Services Ltd

With great thanks to all who have supported the **Adelong Community Bank[®]**, we are proud to announce the Bank is very close to having \$40 million dollars under management. Who would have imagined that the vision of a few, with the efforts of a great team, would be realised in just four years?

The past 12 months has been another highly successful period for your Bank. Profit for the year to 30 June, 2008 was \$27,368. The Bank's funds under management grew \$4 million through a tough year for everyone, a very positive result.

What a great celebration we had for our 4th Birthday. A large crowd were on hand to see the Bank give cheques to both schools, Adelong Pre-School and Community Transport, as part of the \$7,318 donated to community organisations in 2008. This was followed by the opening of Adelong & District Financial Services sponsored Opportunity Shop, another venture to support our town's vibrancy and local organisations.

The Board have received suggestions that we should be concentrating on paying dividends rather than sponsoring local groups. Whilst the Adelong Bank is financially healthy and increasing in profitability, it is the monthly Market Development contribution from Bendigo Bank that has been directed towards the community sponsorships we have undertaken to this point. We thank Bendigo Bank for their support.

On the subject of dividends, the Board views paying dividends to our shareholders as a high priority. We are in the process of accruing funds for this purpose. At the coming AGM the Board will recommend to the shareholders that a dividend be declared. Having monies available for dividend payment will be reliant on your continued support and assistance in selling your Bank's great positives to others.

A feasibility study conducted during the year was unable to secure commitment for sufficient support to establish a stand-alone branch in Gundagai. As a result the Board has changed strategy and we are currently investigating the possibility of an agency in Gundagai, with the intention of developing it into a branch in the future. Our manager has indicated we have good support from the Gundagai area. Once a branch is established profit share would then be generated into the Gundagai community.

Finally, whilst we have reached an important point in the Bank's development, there remains a lot of work to be done to continue to grow the business and increase our market share. We encourage you to consider the following points:

The more support your local Bank receives the more profit share can be channelled back into your community, contributing to your community's growth.

- ∞ As the Bank grows, so will the business community in our town.
- ∞ One reason often provided for not banking locally is that the local staff know our business. However when looking at many of the Banks in Tumut there are Adelong based staff working there. **Our staff conduct a highly professional business and the security of all clients details is paramount.** It is worth repeating also that the Adelong Financial Services Ltd Board has no knowledge of clients details. Our Manager supplies the Board only with a monthly report on trends experienced by the business.
- ∞ Feed back from customers gives our staff **five stars** for excellence in service and knowledge of Bendigo Bank products. Call in any time and be impressed.
- ∞ Some people had misgivings initially that the Bank may not be a success. **Your local Bank is a proven success story. Don't procrastinate, support your local Bank.**

I congratulate the Directors and Staff for their commitment to establishing and growing your Bank in this wonderful town. I thank the share holders for their continued support, and we look forward to achieving even greater success in the coming year.



Chairperson Stewart Smith

TREASURER'S REPORT FOR THE YEAR ENDED 30th JUNE 2008

Adelong & District Financial Services Ltd

Dear Shareholder,

After several years of promises, it is finally my pleasure to tell you that our bank has declared a profit for the period July 07 to June 08. While this financial year we have had only a modest net profit of \$27,368, profitability has continued to improve and we are on track to see that figure more than double in the next year.

By now of course we are all growing impatient to see a return from our investment. At the coming AGM it is the intention of the board to recommend to the shareholders that a dividend be declared. We need, however, to keep in mind that we are constrained by corporations law to only pay dividends out of profits. Our first dividend will therefore be modest and may not be paid until later in this financial year. We hope you will see it as the board keeping faith with you, our shareholders, and a token of more to come in the future.

Bendigo Bank contributes a monthly Market Development payment that the Board uses for advertising, promotion and sponsorship. Most of our local sponsorship funding comes from this contribution.

As a community, we need to think how we want to use our profits. Do we want to continue to make small donations to many worthy causes, or can we think of a grand vision, a project that can pull us together as a community and further drive the development of our town? We must decide together, and we look forward to hearing your ideas.

I would also like to take the opportunity to again thank all shareholders who have transferred their banking business to our bank. Remember, now that we are profitable, any new business brought to us adds directly to profits and therefore to dividends and supporting the community. Our bank has more to offer than just simple deposits and loans, and I would urge you to discuss with our staff other areas, such as insurance, that we can be of assistance. Remember, by banking locally, you keep the benefits, and the profits, local.



Tim Quilty
Treasurer

MANAGER'S REPORT FOR THE YEAR ENDED 30th JUNE 2008

Adelong & District Community Bank® Branch

The year under review has been indeed a difficult business year but we continue to grow and have exceeded budgets set down by the Bendigo Bank. It was well anticipated that the year would be a difficult trading period and this had been forecast and reflected in the increasingly tight margins between the cost to the finance sector of borrowing and lending funds. The increased interest rates charged to customers has been an added aggravation and impost on top of exceptionally high fuel costs and continued low incomes resulting from the ongoing drought.

The Australian economy has weathered the world wide crisis fairly well and this has been, according to the economists, due to the mineral boom. But at the same time, recent statistics show that the only area of growth in the Australian economy in the last twelve months, was in the rural sector. And yet, the rural sector continues to suffer through the worst drought in many a year. It does make one wonder, just how bad is the rest of the economy. It is certain that the building industry is suffering and the housing market in general, is very stagnant. The housing market of course, is a huge factor in financial growth and the stagnant growth is reflected in the diminished increase in portfolio of our branch during the period under review. The graph of funds under management below shows that, whilst we have continued to grow, we have slipped below the mean average rate of growth, since the branch opened.

As I write this, interest rates are beginning to fall. Bad for investors I know, but great for borrowers and the economy in general. We have seen some investment rates at very high rates of return, 8.7% pa return on a term deposit for example. We are still providing term deposits with a rate return of 8%. Interest rates on loans have been reduced by 0.25%. We hope the loan rates continue to fall and that this will lead to continued financial growth for our Community Bank Branch into our fifth year of operations.

The opening of the Adelong Golden Treasure Chest was a highlight of our recent fourth birthday celebrations. We thank David Boston for participating in the opening and in particular, thank him for his speech in which he made one very salient point. David made the observation that none of the other Banks have ever contributed to a major project in Adelong the way Bendigo Bank has. And, it is emphasised that the funds to open and operate the Adelong Treasure Chest, as well as the other contributions given out to the

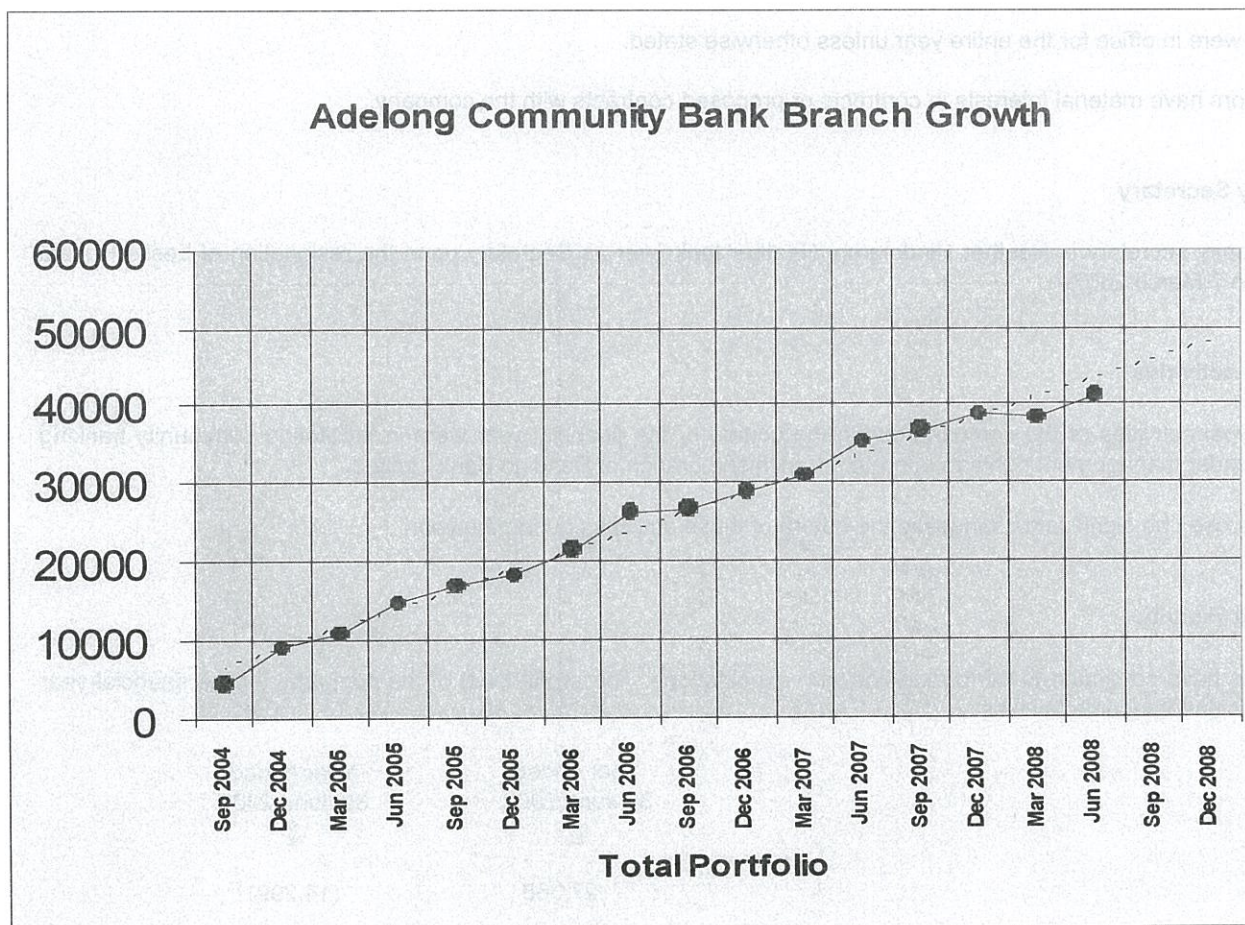
community, have all come from Bendigo Bank. Not from the profits of the Adelong Community Bank, but from Bendigo Bank itself. This contribution to communities, which have created their own Community Bank Branch, is evidence of the genuine contributions being made to communities by the Bendigo Bank. What better reason is there to support the Bank which supports your community.

A strong community creates a strong bank which creates a stronger community.

I would like to thank our Board for their support, our excellent staff for their hard work, and especially thank the 2000 account holders we have at Adelong Community Bank who are making the branch a success.



Peter Watson
Branch Manager



Adelong District Financial Services Limited
ABN 39 107 620 137
Directors' Report

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:

Stewart MacDonald Smith
Chairman
Age: 60
Beef Producer

Timothy Jamin Quilty
Treasurer
Age: 34
Accountant

Heather Rae Hindmarsh
Secretary
Age: 46
Officer Administrator

Wendy Ann Miller
Director
Age: 48
Retail Manager

Ian Phillip Nuss
Director
Age: 54
Company Director

Peter Watson
Director
Age: 62
Bank Manager

Geraldine Ann Radley
Director (*Resigned 1 January 2008*)
Age: 45
Owner/Manager Post Office

Olga Apalnova
Director (*Resigned 10 October 2007*)
Age: 29
Accountant

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

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

Company Secretary

The company secretary is Heather Hindmarsh. Heather took over as Secretary upon the resignation of Leslie Ronald Mitchell on 7 March 2007.

Principal activities

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

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

Operating Results

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

Year ended 30 June 2008	Year ended 30 June 2007
\$	\$
27,368	(14,299)

Adelong District Financial Services Limited
ABN 39 107 620 137
Directors' Report

Remuneration Report

Director Peter Watson is employed by Adelong & District Financial Services Limited as the branch manager for the bank. Peter receives a gross salary of \$66,225, a uniform allowance of \$137 and employer sponsored superannuation of \$5,960.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future years.

Likely Developments

The company will continue its policy of facilitating banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

	Number of Board Meetings	
	<u>eligible to attend</u>	<u>Number attended</u>
Stewart MacDonald Smith	12	10
Timothy Jamin Quilty	12	11
Heather Rae Hindmarsh	12	8
Wendy Ann Miller	12	11
Ian Phillip Nuss	12	11
Peter Watson	12	11
Geraldine Ann Radley (<i>Resigned 1 January 2008</i>)	6	6
Olga Apalnova (<i>Resigned 10 October 2007</i>)	4	4

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 4.

Signed in accordance with a resolution of the Board of Directors at Adelong, New South Wales on 8 September 2008.



Stewart MacDonald Smith, Chairman



Timothy Jamin Quilty, Treasurer



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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 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 8th day of September 2008

Adelong District Financial Services Limited
ABN 39 107 620 137
Income Statement
for the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Revenues from ordinary activities	3	373,682	302,902
Salaries and employee benefits expense		(196,056)	(173,159)
Advertising and promotion expenses		(10,871)	(10,131)
Occupancy and associated costs		(14,446)	(19,361)
Systems costs		(20,107)	(19,088)
Depreciation and amortisation expense	4	(22,403)	(22,163)
General administration expenses		(76,510)	(74,746)
Profit/(loss) before income tax (expense)/credit		33,288	(15,746)
Income tax (expense)/credit	5	(5,920)	1,447
Profit/(loss) for the period		27,368	(14,299)
Profit/(loss) attributable to members of the entity		27,368	(14,299)
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	19	4.51	(2.35)

The accompanying notes form part of these financial statements

Adelong District Financial Services Limited
ABN 39 107 620 137
Balance Sheet
as at 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
ASSETS			
Current Assets			
Cash assets	6	91,977	42,793
Trade and other receivables	7	34,685	31,896
Total Current Assets		<u>126,662</u>	<u>74,689</u>
Non-Current Assets			
Property, plant and equipment	8	157,069	167,472
Intangible assets	9	14,000	26,000
Deferred tax assets	10	86,619	92,539
Total Non-Current Assets		<u>257,688</u>	<u>286,011</u>
Total Assets		<u>384,350</u>	<u>360,700</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	17,798	23,112
Provisions	12	15,035	20,148
Total Current Liabilities		<u>32,833</u>	<u>43,260</u>
Non-Current Liabilities			
Provisions	12	6,709	-
Total Non-Current Liabilities		<u>6,709</u>	<u>-</u>
Total Liabilities		<u>39,542</u>	<u>43,260</u>
Net Assets		<u>344,808</u>	<u>317,440</u>
Equity			
Issued capital	13	580,118	580,118
Accumulated losses	14	(235,310)	(262,678)
Total Equity		<u>344,808</u>	<u>317,440</u>

The accompanying notes form part of these financial statements

Adelong District Financial Services Limited**ABN 39 107 620 137****Statement of changes in equity
for the year ended 30 June 2008**

	2008	2007
	\$	\$
Total equity at the beginning of the period	317,440	331,739
Net profit/(loss) for the period	27,368	(14,299)
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	-	-
Shares issued during period	-	-
Total equity at the end of the period	344,808	317,440

The accompanying notes form part of these financial statements

Adelong District Financial Services Limited
ABN 39 107 620 137
Statement of Cashflows
for the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Cash Flows From Operating Activities			
Receipts from customers		419,565	298,597
Payments to suppliers and employees		(371,076)	(318,512)
Interest received		695	489
Net cash provided by/(used in) operating activities	15	<u>49,184</u>	<u>(19,426)</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		-	(1,272)
Net cash used in investing activities		<u>-</u>	<u>(1,272)</u>
Net increase/(decrease) in cash held		49,184	(20,698)
Cash at the beginning of the financial year		42,793	63,491
Cash at the end of the financial year	6(a)	<u><u>91,977</u></u>	<u><u>42,793</u></u>

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.

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
for the year ended 30 June 2008**

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Employee entitlements

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

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

Intangibles

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

Cash

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

Comparative figures

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

1. Summary of significant accounting policies (continued)

Property, plant and equipment

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

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

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

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

Critical Accounting Estimates and Judgements

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

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

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

Payment terms

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

Trade Receivables and Payables

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

Borrowings

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

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.

Adelong District Financial Services Limited
ABN 39 107 620 137
Notes to the Financial Statements
for the year ended 30 June 2008

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.

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.

	2008	2007
	\$	\$
3. Revenue from ordinary activities		
Operating activities:		
- services commissions	372,358	302,414
Total revenue from operating activities	<u>372,358</u>	<u>302,414</u>
Non-operating activities:		
- interest received	1,324	489
Total revenue from non-operating activities	<u>1,324</u>	<u>489</u>
Total revenues from ordinary activities	<u><u>373,682</u></u>	<u><u>302,903</u></u>

Adelong District Financial Services Limited
ABN 39 107 620 137
Notes to the Financial Statements
for the year ended 30 June 2008

4. Expenses	2008	2007
	\$	\$
Depreciation of non-current assets:		
- plant and equipment	3,109	2,869
- leasehold improvements	7,294	7,294
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	<u>22,403</u>	<u>22,163</u>
Bad debts	<u>88</u>	<u>419</u>

5. Income tax expense

The components of tax expense comprise:

- Current tax	-	-
- Deferred tax on provisions	(5,594)	-
- Recoupment of prior year tax losses	11,514	-
- Future income tax benefit attributable to losses	-	(1,447)
- Under/over provision in respect to prior years		
	<u>5,920</u>	<u>(1,447)</u>

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)	33,288	(15,746)
Prima facie tax on profit/(loss) from ordinary activities at 30%	9,987	(4,724)
Add tax effect of:		
- non-deductible expenses	3,600	3,600
- timing difference expenses	(450)	1,300
- blackhole expenses	(1,623)	(1,623)
Current tax	11,514	(1,447)
Movement in deferred tax	(5,594)	-
	<u>5,920</u>	<u>(1,447)</u>

10.

6. Cash assets

Cash at bank and on hand	46,305	42,793
Deposits at call	45,672	-
	<u>91,977</u>	<u>42,793</u>

The above figures are reconciled to cash at the end of the financial

6(a) Reconciliation of cash

Cash at bank and on hand	46,305	42,793
Deposits at call	45,672	-
	<u>91,977</u>	<u>42,793</u>

7. Trade and other receivables

Trade receivables	30,787	27,847
Prepayments	3,898	4,049
	<u>34,685</u>	<u>31,896</u>

Adelong District Financial Services Limited

ABN 39 107 620 137

**Notes to the Financial Statements
for the year ended 30 June 2008**

	2008	2007
	\$	\$
8. Property, plant and equipment		
<i>Plant and equipment</i>		
At cost	40,728	40,728
Less accumulated depreciation	(13,337)	(10,228)
	<u>27,391</u>	<u>30,500</u>
<i>Leasehold improvements</i>		
At cost	176,587	176,587
Less accumulated depreciation	(46,909)	(39,615)
	<u>129,678</u>	<u>136,972</u>
Total written down amount	<u>157,069</u>	<u>167,472</u>
Movements in carrying amounts:		
<i>Plant and equipment</i>		
Carrying amount at beginning	30,500	6,943
Additions	-	26,426
Disposals	-	-
Less: depreciation expense	(3,109)	(2,869)
Carrying amount at end	<u>27,391</u>	<u>30,500</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	136,972	169,421
Additions	-	-
Disposals	-	(25,155)
Less: depreciation expense	(7,294)	(7,294)
Carrying amount at end	<u>129,678</u>	<u>136,972</u>
Total written down amount	<u>157,069</u>	<u>167,472</u>
9. Intangible assets		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less: accumulated amortisation	(46,000)	(34,000)
	<u>14,000</u>	<u>26,000</u>
10. Deferred Tax		
Deferred Tax Asset		
- Opening Balance	92,539	91,092
Future income tax benefits attributable to losses	-	1,447
Recoupment of prior year tax losses	(11,514)	-
Deferred tax on provisions	5,594	-
- Closing Balance	<u>86,619</u>	<u>92,539</u>
11. Trade and other payables		
Trade creditors	15,798	21,112
Other creditors & accruals	2,000	2,000
	<u>17,798</u>	<u>23,112</u>

Adelong District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2008

	2008 \$	2007 \$
12. Provisions		
Current:		
Employee benefits	<u>15,035</u>	<u>20,148</u>
Non-Current:		
Employee benefits	<u>6,709</u>	<u>-</u>
Number of employees at year end	<u>4</u>	<u>4</u>
13. Contributed equity		
607,169 Ordinary shares fully paid of \$1 each (2007: 607,169)	607,169	607,169
Less: equity raising expenses	<u>(27,051)</u>	<u>(27,051)</u>
	<u>580,118</u>	<u>580,118</u>
14. Accumulated losses		
Balance at the beginning of the financial year	(262,678)	(248,379)
Net profit/(loss) from ordinary activities after income tax	27,368	(14,299)
Balance at the end of the financial year	<u>(235,310)</u>	<u>(262,678)</u>
15. Statement of cashflows		
<i>Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities</i>		
Profit/(Loss) from ordinary activities after income tax	27,368	(14,299)
Non cash items:		
- depreciation	10,403	10,163
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(2,789)	(7,365)
- (increase)/decrease in other assets	5,920	(1,447)
- increase/(decrease) in payables	(5,314)	(22,219)
- increase/(decrease) in provisions	1,596	3,741
Net cashflows provided by/(used in) operating activities	<u>49,184</u>	<u>(19,426)</u>
16. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit & review services	4,100	4,000
- non audit services	<u>7,132</u>	<u>3,934</u>
	<u>11,232</u>	<u>7,934</u>

Adelong District Financial Services Limited
ABN 39 107 620 137
Notes to the Financial Statements
for the year ended 30 June 2008

17. Director and related party disclosures

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

Stewart MacDonald Smith
 Timothy Jamin Quilty
 Heather Rae Hindmarsh
 Wendy Ann Miller
 Ian Phillip Nuss
 Peter Watson
 Geraldine Ann Radley (*Resigned 1 January 2008*)
 Olga Apalnova (*Resigned 10 October 2007*)

No director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	<u>2008</u>	<u>2007</u>
Stewart MacDonald Smith	3,000	3,000
Timothy Jamin Quilty	1,701	1,701
Heather Rae Hindmarsh	4,000	4,000
Wendy Ann Miller	1,000	1,000
Ian Phillip Nuss	8,500	8,500
Peter Watson	5,000	5,000
Geraldine Ann Radley (<i>Resigned 1 January 2008</i>)	2,500	2,500
Olga Apalnova (<i>Resigned 10 October 2007</i>)	500	500

There was no movement in directors shareholdings during the year. Each share held is valued at \$1.

18. Key management personnel disclosures

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

Except for Peter Watson (See note 17 above) there are no other Executives within the company whose remuneration is required to be disclosed.

19. Earnings per share	<u>2008</u>	<u>2007</u>
	<u>\$</u>	<u>\$</u>
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	27,368	(14,299)
	<u>2008</u>	<u>2007</u>
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	607,169	607,169

20. Events occurring after the balance sheet date

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

21. Contingent liabilities

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

22. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Adelong district, New South Wales.

23. Registered office/Principal place of business

The registered office and principal place of business is:

Registered office
62 Tumut Street
Adelong NSW 2729

Principal place of business
62 Tumut Street
Adelong NSW 2729

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Notes to the Financial Statements for the year ended 30 June 2008

Liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any long-term debt obligations at the year end.

balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of statements.

to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Fixed interest rate maturing in									
1 year or less	Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate		
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
\$	\$	\$	\$	\$	\$	\$	\$	%	%
-	-	-	-	-	-	-	-	0.05	0.05
-	-	-	-	-	-	-	-	6.46	N/A
-	-	-	-	-	-	34,685	31,896	N/A	N/A
-	-	-	-	-	-	17,798	23,112	N/A	N/A

Adelong District Financial Services Limited
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Directors' Declaration

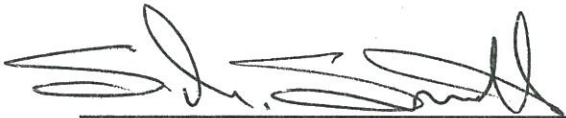
In accordance with a resolution of the directors of Adelong & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 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.



Stewart MacDonald Smith, Chairman



Timothy Jamin Quilty, Treasurer

Signed on the 8th of September 2008.

INDEPENDENT AUDITOR'S REPORT

To the members of Adelong & District Financial Services Limited

We have audited the accompanying financial report of Adelong & District 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.

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 Adelong & District 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 8th day of September 2008