

FRONT COVER
- MAROON ON WHITE

2008

ANNUAL REPORT



Sanctuary Point & Districts **Community Bank**®

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 62 105 756 063

ANNUAL REPORT 2008

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Chair Report

It is with pride, pleasure and a deal of satisfaction that I can report positively, of our progress and results for 2007-08.

Year end results are the indicator of our performance over the last year. With an operating profit of \$91,134 (post tax \$66,778) compared to the previous year's result of \$15,448 (post tax \$6,303) and costs restricted to an 8.2% increase, the result is extremely gratifying.

This result, together with a strengthened cash position, has enabled the Board to approve a dividend of 4 (four) cents for each fully paid up share.

These results are indicative of the fact that we are on track with our business plan, achieving goals progressively, developing the business from the solid foundation built up over previous years. We are in a sound position strengthened by astute governance and good management.

Good business development, governance and compliance together with sound risk and business management are testimony to the enormous input and effort by our great team of people. These people have given freely and voluntarily of their time and experience. I extend my sincere gratitude and appreciation to my fellow directors.

Inevitably there are changes to the Board, this year was no exception. Regrettably we lost the services and wisdom of Terry McLafferty and Ian Brown through resignation. Our sincere thanks from all, for your contribution.

We have been joined by Stewart Harding and John Dunn, bringing their many skills and experience to the Board.

The branch is extremely well placed, having a strong, enthusiastic team of dedicated people, with manager Keith Robinson experienced in his approach and delivery.

We are very proud of our team, who possess a wealth of product knowledge, who are friendly, caring and deliver outstanding service. Thanks to a great team.

We enjoy a professional, productive relationship with our franchise partner Bendigo Bank and Adelaide Ltd. Our Regional Manager and his team are helpful and supportive. The network of Community Bank® branches has expanded further, with Nowra branch opening recently, bringing the total to 220 Community Bank® branches and 180 company branches, growing and strengthening the network, while at the same time maintaining the 'Best in customer service' status.

As the business grows we are able to grow our contribution to our community. We continue this work through our 'Business Assist' and About - community newsletter initiatives together with various other sponsorships. We provide employment and leadership in our community. A fact we consider a fine achievement in itself.

We extend our thanks to our dedicated 'friends of the bank' volunteers for their valuable contribution. It is sincerely appreciated.

We are proud of our many achievements to date and look forward to being able to do even better in the future.

We compare favourably with other Community Bank® branches and continue to contribute to our community prudently, with consideration to all stakeholders.

To continue to grow our performance, results and contributions to community, we need continued support through customers and shareholders.

By promoting our unique differences to friends and acquaintances, is the best way to enable this banking facility to exceed expectations. I encourage you to continue your good work and promotion.

A handwritten signature in black ink, appearing to read 'R M Jones', with a large, stylized initial 'C' or 'R' at the start.

R M Jones
Chair.

Branch Manager's Report

At the end of this financial year the Sanctuary Point and Districts Community Bank® Branch had been trading for a little over 4 years.

During this past financial year we have experienced strong growth in our overall business, in what you would appreciate is a very competitive and challenging market.

As at 30th June 2008 the branch held 3,321 accounts giving us a total business value of \$50,882,000. This was made up of loan accounts to a total of \$15,520,000 and deposit accounts totaling \$35,362,000. These figures represent a growth during the financial year of \$9,735,000 or 23.65%, some \$3.2 million ahead of budget and net growth of 587 accounts. I thank my branch team for their assistance in achieving these excellent results.

During this financial year our state management team decided to put in place a reward system to recognise outstanding performance by individual branches, a branch of the month award for each of our regions within NSW. This initiative started with the first award for March 2008. I am delighted to let you know your team at Sanctuary Point not only won the award for March (in our region) but also for April, an outstanding effort from our team.

Your Community Bank® team is continually training to ensure prudential standards are met and the highest customer service standards are maintained. Our team has undergone a couple of changes to cater for the increased business volumes, being constantly mindful of the service level we wish to maintain for our clients.

Your team:-

Joe Nethery	Part Time Branch Supervisor
Robyne Gilmour	Part Time Branch Supervisor
Heather Cartwright	Part Time CSO
Yvonne Angerer	Part Time CSO
Megan Ray	Part Time CSO.

Lynne Quinn left us during the year to head off to University to pursue her dream of becoming a teacher and we were joined by Yvonne and Megan both very experienced people.

To those of you who are currently customers of the branch I thank you for your continued support and ask that you actively act as an advocate of your Community Bank®. Word of mouth recommendations are the strongest and best advertising we can ask for.

If you do not currently bank with us I urge you to come in and see what we are able to do for you. Our products and services are comparable to any other bank or credit union, with the added bonus of excellent customer service and a portion of the profits being distributed back into your community. Always remember that you as a shareholder have a vested interest in the continued success of the branch, your support can only help.

During this past year we have continued to support many local organisations with sponsorships and donations to help assist their events. This is one of the best parts of my role as manager, being able to give back to the community. With your continued support we will be able to grow even further and increase the support we can give back to our local organisations and groups.

I would like to take this opportunity to publicly thank both the Board and my team at the branch for their continued support and friendship. Without the support of the Board and the work of our committed team we would not have been able to achieve the results we have so far. The branch staff is some of the most experienced and dedicated people I have ever had the pleasure of working with.

Together, I am confident we can continue providing excellent service to our community and building a highly successful branch which will be able to make substantial and enduring contributions to our community.

A handwritten signature in black ink, appearing to read 'Keith G. Robinson', with a large, sweeping flourish above the name.

Keith G Robinson
Branch Manager

Director's Report

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

Directors

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

Director: **Jeffrey James Everingham**
Age: 65
Occupation: Retired
Experience and expertise: Qualified accountant who conducted public practice in the Bay & Basin District for 24 years.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Deputy Chair and previously Chair until 26th April 2007.
Member of the following Board Committees:
- Business Development, Marketing & Sponsorship.
- Human Resources.
- Governance & Audit
Date appointed director: 1st August 2003
Interest in Shares: Number held - 5001

Director: **Robert Mervyn Jones**
Age: 64
Occupation: Business Proprietor
Experience and expertise: Principal of Consulting & Training business based in Canberra for over 30 years. Extensive knowledge of marketing and training matters. Past member of Rotary.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Chair and previously Deputy Chair until 26th April 2007.
Chair is ex officio - Member of all Board Committees.
Date appointed director: 1st August 2003
Interest in Shares: Number held - 2501

Director: **Wayne Ronald Victor Poole**
Age: 51
Occupation: Business Proprietor
Experience and expertise: Principal of local Real Estate business for 21 years. Extensive knowledge of local community.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Member of the following Board Committee:
- Business Development, Marketing & Sponsorship.
Date appointed director: 1st August 2003
Interest in Shares: Number held - 5001

Director: **Douglas Barry Spencer**
Age: 65
Occupation: Retired
Experience and expertise: Formerly in senior administration roles in national manufacturing company for 20 years. Extensive knowledge of strategic planning and business performance. Previously served as a director of this company.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Former secretary - resigned 29th May 2008.
Treasurer
Member of the following Board Committees:
- Governance & Audit
Date appointed director: 10th November 2006
Interest in Shares: Number held - 1001

Director: **Gregory Rowland Thornton**
Age: 55
Occupation: School Teacher
Experience and expertise: Conducted own business in the building industry and is currently a Special Needs Teacher for primary schools on the South Coast. Extensive involvement in local community activities.
Other current directorships: Nil
Former directorships in last 3 years: Director - Bay & Basin Community Resources Inc.
Special Responsibilities: Member of the following Board Committees:
- Policy & Procedures
- Governance & Audit
Date appointed director: 1st August 2003
Interest in Shares: Number held - 1501
(1500 of these shares held jointly with another party).

Director: **Gregory Allan Woods**
Age: 60
Occupation: Retired School Principal
Experience and expertise: Extensive administrative experience in the position of School Principal. Operated a cattle property for 20 years. Long history in school sport administration including President of NSW Primary Schools Sports Association. Currently establishing a Bed & Breakfast in Sanctuary Point.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Member of the following Board Committees:
- Community Newsletter
- Human Resources
Date appointed director: 27th July 2006
Interest in Shares: Nil

Newly Appointed Directors

Director: **John Peter Dunn**
Age: 62
Occupation: Retired
Experience and expertise: Qualified accountant who was Managing Director and 50% shareholder of medium sized engineering company in Sydney for 16 years. Prior to that held several senior management positions in a public company.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Secretary.
Member of the Governance & Audit Committee
Date appointed director: 5th April 2008
Interest in Shares: Nil.

Director: **Stewart Ross Harding**
Age: 58
Occupation: Retired
Experience and expertise: Diploma of Information Technology (Systems Administration). Held various positions in IT industry as Instructor and trainer.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Secretary.
Member of the following Board Committees:
- Policy & Procedures.
- Governance & Audit.
Date appointed director: 21st February 2008
Interest in Shares: Nil.

Former Directors:

Director: **Ian Peter Brown**
Age: 63
Occupation: Bed & Breakfast Proprietor/Holiday Rental Properties-semi retired.
Experience and expertise: Has extensive multinational management experience. Retired from the position of Managing Director, 20th Century Fox HE South Pacific.
Other current directorships: Nil
Former directorships in last 3 years: Nil
Special Responsibilities: Member of the following Board Committee:
- Business Development, Marketing & Sponsorship.
- Human Resources
Date appointed director: 27th July 2006
Interest in Shares: Nil.
Resigned: 9th April 2008.

Director: **Terrence Michael McLafferty**
 Age: 63
 Occupation: Business Proprietor
 Experience and expertise: Engineer who has worked in senior sales and general management capacities with companies including Honeywell, Internal Combustion, Email and in his own business for the past 20 years. He now operates a marketing consultancy for small businesses based at Sanctuary Point.
 Other current directorships: Nil
 Former directorships in last 3 years: Nil
 Special Responsibilities: Member of the following Board Committee:
 - Business Development, Marketing & Sponsorship.
 - Community Newsletter
 Date appointed director: 27th July 2006
 Interest in Shares: 1000
 Resigned: 19th March 2008.

Company Secretary

Douglas Barry Spencer was appointed to the position of Company Secretary on 17th May 2007. He had performed senior roles in administration at state and national levels for over twenty years. He resigned from the position of Company Secretary on 29th May 2008.

John Peter Dunn was appointed to the position of Company Secretary on 29th May 2008. He had extensive experience senior management and administrative roles in a national company. He retired in 2004 as managing director of a medium sized engineering company.

Stewart Ross Harding was appointed to the position of Company Secretary on 29th May 2008. He has a Diploma of Information Technology as a Systems Administrator. He has worked in many senior positions in the IT industry as an instructor and trainer.

Principal Activities

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

There have 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	Year Ended
30 th June 2008	30 th June 2007
\$66,778	\$6,303

Dividends

No dividends were declared or paid for previous year. The directors have recommended that a dividend of 4 (four) cents per fully paid ordinary share to be paid on 13th October 2008 to all shareholders registered as at 7th October 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.

Significant events after the balance date

There are no matters or circumstance 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 the provision of banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Director's 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company 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 managers of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of 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 the auditor of the company or a related body corporate.

Directors' Meetings

	Number of Board Meetings eligible to attend	Number attended	
Ian Peter Brown	9	9	Resigned 16 th April 2008
John Peter Dunn	6	6	Appointed 5 th April 2008
Jeffrey James Everingham	12	10	
Stewart Ross Harding	6	6	Appointed 21 st February 2008
Robert Mervyn Jones	12	9	
Terrence Michael McLafferty	6	6	Resigned 19 th March 2008
Wayne Ronald Victor Poole	12	6	
Douglas Barry Spencer	12	12	
Gregory Rowland Thornton	12	9	
Gregory Allan Woods	12	8	

In addition, the Board has a number of committees on which directors serve to bring specialist knowledge and attention to key issues. They are: **Business Development & Marketing, Human Resources, Community Newsletter, Policy Procedures, and Governance & Audit.**

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. Detail 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 and is satisfied 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 as provided 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 Board of Directors 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 an advocate for the company or jointly sharing economic risk and rewards.

A Copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on Page 11.

Signed in accordance with a resolution of the Board of Directors at Sanctuary Point, New South Wales, on 15th August 2008.



Robert Mervyn Jones
Chairman



John Peter Dunn
Secretary

Auditor's Declaration



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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Bay & Basin Community Financial Services Limited

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

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

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 15th day of August 2008

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 62 105 756 063

Income Statement
for the year ended 30th June 2008

	Notes	2008 \$	2007 \$
Revenues from ordinary activities	3	530,324	410,086
Salaries and employee benefit expense		(214,245)	(187,782)
Advertising and promotion expenses		(14,309)	(12,399)
Occupancy and associated costs		(41,216)	(38,111)
Systems costs		(43,948)	(37,343)
Depreciation and amortisation expense	4	(21,603)	(21,470)
General administration expense		(104,139)	(97,533)
Profit before income tax expense/credit		91,134	15,448
Income Tax (expense)/credit	5	(24,356)	(9,145)
Profit for the period		66,778	6,303
Profit attributable to members of the entity		66,778	6,303
Earnings per share (cents per share)		¢	¢
● basic profit for the year	20	10.1	1.0
● dividends paid per share		-	-

The accompanying notes form part of these financial statements

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 62 105 756 063

Balance Sheet
as at 30th June 2008

	Notes	2008 \$	2007 \$
Current Assets			
Cash assets	6	166,810	51,903
Trade and other receivables	7	55,910	44,358
Total Current Assets		<u>222,720</u>	<u>96,261</u>
Non – Current Assets			
Property, plant and equipment	8	147,228	154,727
Intangible assets	9	9,000	21,000
Deferred tax assets	10	85,952	110,308
Total Non-Current Assets		<u>242,180</u>	<u>286,035</u>
Total Assets		<u>464,900</u>	<u>382,296</u>
Current Liabilities			
Trade and other payables	11	29,294	30,104
Provisions	12	24,358	13,950
Total Current Liabilities		<u>53,652</u>	<u>44,054</u>
Non-Current Liabilities			
Provisions	12	6,228	-
Total Non-Current Liabilities		<u>6,228</u>	<u>-</u>
Total Liabilities		<u>59,880</u>	<u>44,054</u>
Net Assets		<u>405,020</u>	<u>338,242</u>
Equity			
Contributed equity	13	624,056	624,056
Accumulated losses	14	(219,036)	(285,814)
Total Equity		<u>405,020</u>	<u>338,242</u>

The accompanying notes form part of these financial statements

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 62 105 756 063

Statement of Changes in Equity
for the year ended 30th June 2008

	Notes	2008 \$	2007 \$
Total equity at the beginning of the financial year		338,242	331,939
Net income / (expense) recognised directly in equity		-	-
Net profit for the year		66,778	6,303
Total recognised income & expenses for the year		<u>66,778</u>	<u>6,303</u>
Shares issued during the period		-	-
Costs of issuing shares		-	-
Dividends provided for or paid		-	-
Total equity at the end of the financial year		<u>405,020</u>	<u>338,242</u>

Statement of Cash Flows
for the period ended 30th June 2008

	Notes	2008 \$	2007 \$
Cash Flows from Operating Activities			
Receipts from customers		514,831	402,824
Payments to suppliers and employees		(401,571)	(366,577)
Interest received		3,867	547
Net cash inflow from operating activities	15	<u>117,127</u>	<u>36,794</u>
Cash Flows from Investing Activities			
Payments for property, plant, and equipment		(2,220)	-
Net Cash outflow from investing activities		<u>(2,220)</u>	<u>-</u>
Cash Flows from Financing Activities			
Repayment of borrowings		-	(3,455)
Net Cash outflow from financing activities		<u>-</u>	<u>(3,455)</u>
Net increase in cash held		114,907	33,339
Cash at the beginning of the financial year		51,903	18,564
Cash at the end of the financial year	6(a)	<u>166,810</u>	<u>51,903</u>

The accompanying notes form part of these financial statements

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 62 105 756 063

Notes to the Financial Statements
for the period ended 30th June 2008

1. Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AFAIRS). Compliance with AFAIRS ensures these financial statements comply with International Financial Reporting Standards (IRFS). These financial statements and notes comply with IFRS.

Historical Cost Convention

The financial report has been prepared under the historical cost conventions on an accrual basis as modified by the revaluation of assets and liabilities at fair value through profit and 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 loss 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 the 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).

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 62 105 756 063

Notes to the Financial Statements
for the period ended 30th June 2008

1. Summary of significant accounting policies - continued

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amounts 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 temporary tax 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 business combination) which effects 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 the 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 any 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 current 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 where it relates to items debited or credited 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 a 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 purpose 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.

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 62 105 756 063

Notes to the Financial Statements
for the period ended 30th June 2008

1. Summary of significant accounting policies – continued

Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform to 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 are reviewed at the end of each 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.

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
ABN 62 105 756 063

Notes to the Financial Statements
for the period ended 30th June 2008

1. Summary of significant accounting policies – continued

Trade Receivables and Payables

Receivables are carried at their amounts due. The collect ability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and any 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 of other past events. It is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Contributed Equity

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

Earnings per Share

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

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
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Notes to the Financial Statements
for the period ended 30th June 2008

2. Financial Risk Management

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

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

(i) Market Risk

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

(ii) Price Risk

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

(iii) Credit Risk

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

(iv) Liquidity Risk

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

(v) Cash flow and value interest rate risk

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

3. Revenue from Ordinary activities	2008	2007
	\$	\$
Operating activities:		
- services commissions	478,130	361,064
- other revenue	47,642	48,485
Total revenue from operating activities	<u>525,772</u>	<u>409,549</u>
Non operating activities:		
- interest received	4,552	547
Total revenue from non operating activities	<u>4,552</u>	<u>547</u>
Total revenues from ordinary activities	530,324	410,096

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Notes to the Financial Statements
for the period ended 30th June 2008

	Notes	2008 \$	2007 \$
4. Expenses			
Depreciation of non-current assets:			
- plant and equipment		7,649	7,513
- leasehold improvements		1,954	1,957
Amortisation of non-current assets			
- Franchise Agreement		12,000	12,000
		21,603	21,470
Finance costs - Interest paid		-	-
Bad Debts		2,918	1,047
5. Income Tax Expense			
The components of the tax expense comprise:			
- Deferred tax on provisions		(8,380)	-
- Recoupment of prior year tax losses		32,736	9,145
		24,356	9,145
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating Profit		91,134	15,448
Prima facie tax on profit from ordinary activities at 30%		27,340	4,634
Add tax effect of:			
- non-deductible expenses		3,600	4,290
- timing changes		3,952	2,377
- amortisation of preliminary expenses		(2,157)	(2,156)
Current tax		32,736	9,145
Movement in deferred tax on provisions	10	(8,380)	-
		24,356	9,145
6. Cash assets			
Cash at bank and on hand		166,810	51,903
Term Deposits		-	-
		166,810	51,903
The above figures are reconciled to costs at the end of the financial year as shown in the statement of cash flows.			
6 (a) Reconciliation of Cash			
Cash at bank and on hand		166,810	51,903
Bank Overdraft		-	-
		166,810	51,903

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Notes to the Financial Statements
for the period ended 30th June 2008

	2008	2007
	\$	\$
7. Trade and other receivables		
Trade receivables	50,291	38,215
Prepayments & other	5,619	6,143
	55,910	44,358
8. Property plant and equipment		
<i>Plant and equipment</i>		
At cost	107,427	105,376
Less accumulated depreciation	(30,087)	(22,490)
	77,340	82,886
<i>Leasehold improvements</i>		
At cost	78,165	78,165
Less accumulated depreciation	(8,278)	(6,324)
	69,887	71,841
Total written down amount	147,227	154,727
Movements in carrying amounts		
<i>Plant and equipment</i>		
Carrying amount at beginning	82,886	90,835
Additions	2,219	-
Written Off	(116)	(436)
Less: depreciation expense	(7,649)	(7,513)
Carrying amount at end	77,340	82,886
<i>Leasehold improvements</i>		
Carrying amount at beginning	71,841	73,798
Less: depreciation expense	(1,954)	(1,957)
Carrying amount at end	69,887	71,841
Total written down amount	147,227	154,727
9. Intangible assets		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less: accumulated amortisation	(51,000)	(39,000)
	9,000	21,000
10. Deferred Tax		
Deferred Tax Asset		
- Opening Balance	110,308	119,453
Recoupment of prior year tax losses	(32,736)	(9,145)
Deferred tax on provisions	8,380	-
- Closing Balance	85,952	110,308
11. Trade and other payables		
Trade Creditors	26,414	25,871
Other creditors & accruals	2,880	4,233
	29,294	30,104

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Notes to the Financial Statements
for the period ended 30th June 2008

	2008 \$	2007 \$
12. Provisions		
Current		
Employee Provisions	24,358	13,950
Non-Current		
Employee Provisions	6,228	-
Number of employees at year end	3.7	3.5
Equivalent full time employees		
13. Contributed equity		
660,000 Ordinary shares fully paid of \$1 each (2006: 660,000)	660,000	660,000
Less equity raising expenses	(35,944)	(35,944)
	624,056	624,056
14. Accumulated Losses		
Balance at the beginning of the financial year	(285,814)	(292,117)
Net profit from ordinary activities after income tax	66,778	6,303
Balance at the end of the financial year	(219,036)	(285,814)
15. Statement of Cash Flows		
<i>Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities</i>		
Profit from ordinary activities after income tax	66,778	6,303
Non Cash Items		
- depreciation	9,603	9,470
- amortisation	12,000	12,000
- loss on disposal of asset	116	-
Changes in assets and liabilities		
- increase in receivables	(11,552)	(7,144)
- decrease in other assets	24,356	9,798
- decrease in payables	(810)	4,475
- increase in provisions	16,636	1,892
Net cash flows provided by operating activities	117,127	36,794
16. Auditors remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,000	3,300
- non audit services	700	-
	3,700	3,300

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Notes to the Financial Statements
for the period ended 30th June 2008

17. Director and Related party Disclosures

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

Ian Peter Brown – resigned 9th April 2008
 John Peter Dunn –appointed 21st February 2008
 Jeffrey James Everingham
 Stewart Ross Harding – appointed 6th April 2008
 Robert Mervyn Jones
 Terrence Michael McLafferty – resigned 19th March 2008
 Wayne Ronald Victor Poole
 Douglas Barry Spencer
 Gregory Rowland Thornton
 Gregory Allan Woods

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

Directors Shareholdings

	2008	2007
Robert Mervyn Jones	2501	2501
Ian Peter Brown (a)	NIL	NIL
John Peter Dunn	NIL	NIL
Jeffrey James Everingham	5001	5001
Stewart Ross Harding	NIL	NIL
Terrence Michael McLafferty (b) & (c)	1000	1000
Wayne Ronald Victor Poole	5001	5001
Douglas Barry Spencer	1001	1001
Gregory Allan Woods	NIL	NIL
Gregory Rowland Thornton (d)	1501	1501

- (a) Resigned 9th April 2008
- (b) Held by an entity related to the director
- (c) Resigned 19th March 2008
- (d) Of these holdings, 1500 are held jointly with another party

There was no movement in director's shareholdings during the year. Each share held is valued at \$1.00.

18. Dividends paid or provided

(a) Ordinary Shares	NIL	NIL
(b) Since year end, the directors have recommended the payment of a final dividend of 4 (four) cents per fully paid share, unfranked. The aggregate amount of the proposed dividend expected to be paid on 13 th October 2008 out of retained profits at 30 th June 2008, but not recognised as a liability at year end is \$26,400	26,400	NIL

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Notes to the Financial Statements
for the period ended 30th June 2008

19. 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.

20. Earnings per Share	2008	2007
Profit attributable to the ordinary shareholders of the company	\$66,778	\$6,303
(a) Reconciliations of earnings used in calculating earnings per share		
<i>Basic earnings per share</i>		
Profit attributable to the ordinary shareholders of the company used in calculating basic earnings per share	\$66,778	\$6,303
(b) Weighted average number of shares used as the denominator		
	2008	2007
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	660,000	660,000

21. Events occurring after the balance sheet date.

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

22. Contingent Liabilities.

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

23. Segment Reporting.

The economic entity operates in the financial services sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited. The economic entity operates in one geographic area being the Bay & Basin District, South Coast, New South Wales.

24. Registered Office / Principal Place of Business.

The registered office and principal place of business is:

1/200 Kerry Street
Sanctuary Point NSW 2540

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
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Notes to the Financial Statements
for the period ended 30th June 2008

25. Financial Instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. 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 the notes to the financial statements.

There is 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				
	2008	2007	1 year or less	1 to 5 years	Over 5 years	2008	2007	2008	2007				
Financial Assets													
Cash assets	116,810	51,903	-	-	-	-	-	-	-	4.2	1.5		
Receivables	-	-	-	-	-	-	-	55,910	44,358	N/A	N/A		
Financial Liabilities													
Payables	-	-	-	-	-	-	-	-	-	25,227	30,104	N/A	N/A

Directors' Declaration

BAY & BASIN COMMUNITY FINANCIAL SERVICES LIMITED
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In accordance with a resolution of the Directors of Bay & Basin Community Financial Services Limited, we state that :

In the opinion of the Directors:

(a) The financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30th 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.



Robert Mervyn Jones
Chairman



John Peter Dunn,
Secretary

Signed on the 15th of August 2008.

Auditor's Report



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Bendigo VIC 3550

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INDEPENDENT AUDITOR'S REPORT

To the members of Bay & Basin Community Financial Services Limited

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

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

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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



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

Dated this 15th day of August 2008

Notes

BACK COVER
MAROON ON WHITE

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