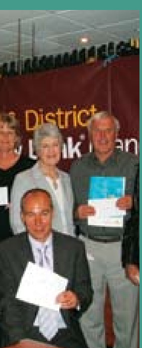
Inverloch & District
Financial Enterprises Limited
ABN 13 117 672 590

2008 annual report





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Chairman's report

For year ending 30 June 2008

It is with much pleasure that I report to shareholders that our Company remains on track to achieve the forecast results contained within the Prospectus. The operating or sales revenue has increased to $433,000, a 57 per cent improvement from the previous year. Similarly, the profit before tax for the year has increased by 158 per cent from the operating loss in the previous year to $35,000 for the year, reducing the accumulated loss for the business just over 22 per cent to $124,000. However, it should be noted that a percentage of the revenue contributing to the results is attributed to unrecognised revenue from the previous financial year and may therefore be atypical.

Your **Community Bank®** branch continues to grow the business through expanding the customer base and the average number of products for each customer. Through this growth, the Company has been able to support a number of community initiatives and organisations throughout the year. I am particularly pleased to report to shareholders that this support has not drawn upon shareholders funds at anytime, rather it has been achieved though the Marketing and Development Fund provided by Bendigo Bank for the purpose of advertising and promotion in the local community. Our Directors believe that the best form of advertising and promotion of the Company and our **Community Bank®** branch is through delivering tangible benefits to our community.

The results achieved so far can be attributed to the efforts of Directors, our Branch Manager and staff. Throughout the year, two Directors resigned for family and personal reasons and insufficient nominations were received to elect the full complement of Directors at the previous Annual General Meeting. We have had five Directors volunteer their time to undertake the task of steering our community Company. I would like to acknowledge the extra effort the current Directors have contributed during the year attending to the Company's business.

I am pleased to announce that we have agreed to contribute $100,000 to the construction of a purpose built clubhouse for the Inverloch Surf Life Saving Club. The contribution is subject to the Club being able to access the full funding for the project and receiving necessary statutory approvals. I also wish to make it clear to shareholders that this project, similar to the other contributions to community initiatives already undertaken, will be drawn from Bendigo Bank's Marketing and Development Fund and not from shareholders funds.

I thank my fellow Directors for their support during the year and commend the efforts of Branch Manager Jackie Laurie and staff. Their endeavours have contributed to our ongoing and growing success.

Alan Gostelow

Chairman

Manager's report

For year ending 30 June 2008

Having completed just over two years of trading it is pleasing for me to report we are continuing to grow our business as projected. We now hold more than 2200 customer accounts and have in excess of $45 million in deposit and lending business on the books. This is a true reflection of the support from our shareholders, business people, mums and dads, individuals and the many clubs, groups and organisations within our community.

Thanks to their support we have in turn been able to contribute to our community groups more than $47,000 in grants, donations and sponsorships made to date.

I would like to welcome new staff members Anngie Krom and Laura Rockall to our Customer Service team. If you haven't met them yet, make a point of coming in to say hello. Many thanks go to familiar faces - Allison Drury and Delia Perry for their dedication and assistance throughout the year.

Further thanks is also extended to our Chairman, Alan Gostelow, and his dedicated group of Directors who give up many hours to attend meetings, training and meet with community groups and who run what is today a multi-million dollar business.

It is exciting to note we have made a commitment to contribute $100,000 to the Inverloch Surf Life Saving Club to assist them build new clubrooms. This is a project that will benefit our community, create more infrastructure in the town and provide an improved service and a safe patrolled beach to our many visitors to the town.

Looking towards the next 12 months we aim to grow the business for our shareholders and customers alike to the extent that we achieve profit and can maintain the contribution of funds back into our community. For us to keep expanding our business and continue this momentum we ask you to support us with your banking and to recommend us to your family, friends and business contacts.

Remember at the Bendigo it starts with U.

Jackie Laurie

Manager

Bendigo Bank Ltd report

For year ending 30 June 2008

Celebrating 10 years of the **Community Bank®** Network

June 2008 marks ten years since Bendigo Bank and the people of Rupanyup and Minyip unveiled the first **Community Bank®** branches in Australia, marking a turning point not only for the two small Victorian wheat belt towns, but for the Bendigo as well.

Today, these two towns have been joined by more than 210 communities to form Australia's fastest growing banking network – the **Community Bank®** concept. It is a significant milestone for Bendigo Bank and our **Community Bank®** partners.

The number of **Community Bank®** branches has doubled in the last four years and in the same time frame, customers have tripled their commitment of banking business to the community network, increasing it to more than $11 billion.

More importantly, in excess of $18 million in **Community Bank®** branch profits have been returned to community projects and $12 million has been paid in dividends to more than 50,000 local shareholders. Behind those numbers are hundreds of stories of **Community Bank®** branches making a real difference to the lives of local people.

Whether it's building a community hall, sponsoring an art prize or even buying new footy jumpers for the local side – these **Community Bank®** branches are helping improve the economic and social prospects of their local communities. Add to those contributions the employment of more than 1000 staff members and daily expenses in the local economy and you have a truly meaningful contribution to those communities and to local prosperity.

As we reflect on the past 10 years, it's with a feeling of great pride and accomplishment for what has been achieved in partnership between our team at the Bendigo and our community partners. The landscape of banking has changed dramatically, but more importantly – so have the communities we partner and our own organisation.

Our partners have taken charge of outcomes locally that will impact positively for many years to come. Likewise, our organisation has built on our community focussed heritage and evolved to become a true partner to community.

Your commitment, enthusiasm and belief in the **Community Bank®** model has been instrumental, and for that we thank you. And here we are, only 10 years into this wonderful journey. Who knows what positive outcomes we'll be talking about in 10 years time, as the **Community Bank®** network matures?

It's an exciting prospect – and we are very proud of what our team and the communities we partner have achieved together.

Russell Jenkins
Chief General Manager Retail & Distribution

Directors' report

For year ending 30 June 2008

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

Directors

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

Alan Keith Gostelow
Chairman/Secretary
Age: 65
Chief Executive Officer
Ex-Army Officer & Senior Manager of various businesses
Interests in shares: 501

Francis Barry McGarvey
Director
Age: 71
Retired
Former Primary Producer
Interests in shares: 2,001

John Frederick Payne
Director
Age: 57
Sales Manager
Former Caravan Park owner/operator
Interests in shares: 2,001

Kenneth Mervyn Aly
Director
Age: 61
Retired
Previous Vice President: Business Development & Acquisitions (SE Asia) for Ausplay, former Company MD.
Interests in shares: 10,000

Leanne du Plessis
Director
Age: 44
Customer Services Officer
Extensive background in public Company.
Interests in shares: Nil

Brian Edward Dohnt
Director (Resigned 28 February 2008)
Age: 62
Retired
Previous General Manager of Defence Force Credit Union and experienced across the industry.
Interests in shares: Nil

Andrew Neil Forster
Director (Resigned 20 February 2008)
Age: 61
Public Accountant
Accounting firm principal
Interests in shares: 50,001

Terrence William Hall JP
Director (Resigned 22 November 2007)
Age: 65
Business Proprietor & Company Director
Previous proprietor BBL Inverloch Agency
Former Shire President & Bank Manager
Interests in shares: 30,001

Sybil Lynette Fowler
Director (Retired 22 November 2007)
Age: 62
Business Proprietor & Company Secretary
Primary School Teacher & School Librarian
Interests in shares: 26,001

David Maxwell Walsh
Director (Retired 22 November 2007)
Age: 48
Business Proprietor
Extensive business background in retail shops & hotels
Interests in shares: 3,001

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

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

Company Secretary

The Company Secretary is Alan Gostelow. Alan was appointed to the position of Secretary when the Company was formed on 22 December 2005. Alan is a Fellow of the Australian Institute of Company Directors and currently undertakes the Company Secretarial role for a Company Limited by Guarantee and was previously a Company Secretary for the Proprietary Limited Company.

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide 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 loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2008 $	Year ended 30 June 2007 $
35,241	(60,707)

Remuneration report

All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

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

There are therefore no specified Executives whose remuneration requires disclosure.

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

Resigned Director, Terry Hall is the owner of the branch premises at 16c Williams Street. The amount of rent and outgoings paid in 2008 was: $23,595 (2007: $23,400).

Resigned Director, Andy Forster is the partner in the accounting firm, Forster and Clark Accountants, which provides accounting services for the Company. The amount of accounting fees paid to accounting firm in 2008 was: $3,110 (2007: $1,140).

No other 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'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' report continued

Directors meetings

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

	Number of Board meetings eligible to attend	Number attended
Alan Keith Gostelow	13	12
Francis Barry McGarvey	13	8
John Frederick Payne	13	13
Kenneth Mervyn Aly	13	8
Leanne du Plessis	13	9
Brian Edward Dohnt (Resigned 28 February 2008)	9	5
Andrew Neil Forster (Resigned 20 February 2008)	8	4
Terrence William Hall (Resigned 22 November 2007)	5	3
Sybil Lynette Fowler (Retired 22 November 2007)	5	2
David Maxwell Walsh (Retired 22 November 2007)	5	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.

Directors' report continued

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 10.

Signed in accordance with a resolution of the Board of Directors at Inverloch, Victoria on 26 September 2008.

Alan Keith Gostelow	**John Frederick Payne**
Chairman	**Director**

Auditor’s independence declaration

partners in success
Chartered Accountants & Business Advisors

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Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
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ABN 51 061 795 337

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Inverloch & District Financial Enterprises 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 26th day of September 2008

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenues from ordinary activities	3	443,138	282,682
Salaries and employee benefits expense		(233,590)	(216,401)
Advertising and promotion expenses		(28,892)	(13,299)
Occupancy and associated costs		(35,415)	(39,827)
Systems costs		(16,943)	(23,208)
Depreciation and amortisation expense	4	(10,256)	(16,457)
General administration expenses		(69,092)	(63,162)
Profit/(loss) before income tax expense/credit		**48,950**	**(89,672)**
Income tax expense/credit	5	(13,709)	28,965
Profit/(loss) for the period		**35,241**	**(60,707)**
Profit/(loss) attributable to members of the entity		**35,241**	**(60,707)**
Earnings per share (cents per share)		**¢**	**¢**
- basic for profit for the year	17	4.7	(8.09)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Assets			
Cash assets	6	382,391	333,884
Trade and other receivables	7	14,313	8,355
Total current assets		**396,704**	**342,239**
Non-current assets			
Property, plant and equipment	8	112,500	118,545
Intangible assets	9	41,500	43,500
Deferred tax assets	10	59,344	73,053
Total non-current assets		**213,344**	**235,098**
Total assets		**610,048**	**577,337**
Liabilities			
Current liabilities			
Trade and other payables	11	4,745	7,275
Total current liabilities		**4,745**	**7,275**
Total liabilities		**4,745**	**7,275**
Net assets		**605,303**	**570,062**
Equity			
Contributed equity	12	729,547	729,547
Accumulated losses	13	(124,244)	(159,485)
Total equity		**605,303**	**570,062**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Receipts from customers		451,963	279,825
Payments to suppliers and employees		(421,813)	(350,165)
Interest received		20,568	15,877
Net cash outflow from operating activities	**14**	**50,718**	**(54,463)**
Cash flows from investing activities			
Payments for property plant and equipment		(2,211)	(133,002)
Net cash outflow from investing activities		**(2,211)**	**(133,002)**
Net increase/(decrease) in cash held		**48,507**	**(187,465)**
Cash at the beginning of the financial year		333,884	521,349
Cash at the end of the financial year	**6(a)**	**382,391**	**333,884**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
Total equity at the beginning of the period		570,062	630,769
Net loss for the period		35,241	(60,707)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		-	-
Total equity at the end of the period		**605,303**	**570,062**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

Intangibles

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each branch.

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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Impairment of assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

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 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 a reduction of the share proceeds received.

Note 1. Summary of significant accounting policies (continued)

Earnings per share

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

	2008 $	2007 $

Note 3. Revenue from ordinary activities

	2008 $	2007 $
Operating activities:		
- services commissions	421,407	262,020
- other revenue	-	-
Total revenue from operating activities	**421,407**	**262,020**
Non-operating activities:		
- interest received	21,731	20,662
Total revenue from non-operating activities	**21,731**	**20,662**
Total revenues from ordinary activities	**443,138**	**282,682**

Note 4. Expenses

	2008 $	2007 $
Depreciation of non-current assets:		
- plant and equipment	1,293	8,147
- leasehold improvements	6,963	6,310
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	10,256	**16,457**

Note 5. Income tax expense

	2008 $	2007 $
The components of tax expense comprise:		
- Current tax	-	-
- Deferred tax on provisions	-	-
- Recoupment of prior year tax losses	13,709	-
- Future income tax benefit attributable to losses	-	(28,965)
- Under/over provision in respect to prior years		
	13,709	**(28,965)**

Notes to the financial statements continued

	2008 $	2007 $

Note 5. Income tax expense (continued)

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

	2008 $	2007 $
Operating profit/(loss)	48,950	(89,672)
Prima facie tax on profit/(loss) from ordinary activities at 30%	14,685	(26,902)
Add tax effect of:		
- non-deductible expenses	600	600
- timing difference expenses	(348)	(1,435)
- blackhole expenses	(1,228)	(1,228)
Current tax	13,709	(28,965)
	13,709	**(28,965)**

Note 6. Cash assets

	2008 $	2007 $
Cash at bank and on hand	92,391	33,884
Term deposits	290,000	300,000
	382,391	333,884

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

	2008 $	2007 $
6(a) Reconciliation of cash		
Cash at bank and on hand	92,391	33,884
Term deposit	290,000	300,000
	382,391	**333,884**

Note 7. Trade and other receivables

	2008 $	2007 $
Trade receivables	8,365	3,570
Prepayments	5,948	4,785
	14,313	**8,355**

Notes to the financial statements continued

	2008 $	2007 $

Note 8. Property, plant and equipment

	2008 $	2007 $
Plant and equipment		
At cost	26,714	26,714
Less accumulated depreciation	(9,440)	(8,147)
	17,274	**18,567**
Leasehold improvements		
At cost	108,499	106,288
Less accumulated depreciation	(13,273)	(6,310)
	95,226	**99,978**
Total written down amount	**112,500**	**118,545**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	18,567	-
Additions	-	26,714
Disposals	-	-
Less: depreciation expense	(1,293)	(8,147)
Carrying amount at end	**17,274**	**18,567.00**
Leasehold improvements		
Carrying amount at beginning	99,978	-
Additions	2,211	106,288
Disposals	-	-
Less: depreciation expense	(6,963)	(6,310)
Carrying amount at end	**95,226**	**99,978**
Total written down amount	**112,500**	**118,545**

	2008 $	2007 $

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,000)	(2,000)
Goodwill - business	35,500	35,500
	41,500	**43,500**

Note 10. Deferred tax

Deferred tax asset		
Opening balance	73,053	44,088
Future income tax benefits attributable to losses	-	28,965
Recoupment of prior year tax losses	(13,709)	-
Closing balance	**59,344**	**73,053**

Note 11. Trade and other payables

Trade creditors	1,745	4,275
Other creditors & accruals	3,000	3,000
	4,745	**7,275**

Note 12. Contributed equity

750,010 Ordinary shares fully paid of $1 each (2007: 750,010)	750,010	750,010
Less: equity raising expenses	(20,463)	(20,463)
	729,547	**729,547**

Note 13. Accumulated losses

Balance at the beginning of the financial year	(159,485)	(98,778)
Net profit/(loss) from ordinary activities after income tax	35,241	(60,707)
Dividends paid	-	-
Balance at the end of the financial year	**(124,244)**	**(159,485)**

Notes to the financial statements continued

	2008 $	2007 $

Note 14. Statement of cash flows

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

	2008 $	2007 $
Profit/(Loss) from ordinary activities after income tax	35,241	(60,707)
Non cash items:		
- depreciation	8,256	14,457
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,958)	17,678
- (increase)/decrease in other assets	13,709	(28,965)
- increase/(decrease) in payables	(2,530)	1,074
Net cash flows provided by/(used in) operating activities	**50,718**	**(54,463)**

Note 15. Auditors' remuneration

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

	2008 $	2007 $
- audit & review services	4,000	4,000
- non audit services	2,240	1,850
	6,240	**5,850**

Note 16. Director and related party disclosures

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

Alan Keith Gostelow

Francis Barry McGarvey

John Frederick Payne

Kenneth Mervyn Aly

Leanne du Plessis

Brian Edward Dohnt (Resigned 28 February 2008)

Andrew Neil Forster (Resigned 20 February 2008)

Terrence William Hall (Resigned 22 November 2007)

Sybil Lynette Fowler (Retired 22 November 2007)

David Maxwell Walsh (Retired 22 November 2007)

Note 16. Director and related party disclosures (continued)

Resigned Director, Terry Hall is the owner of the branch premises at 16c Williams Street. The amount of rent and outgoings paid in 2008 was: $23,595 (2007: $23,400).

Resigned Director, Andy Forster is the partner in the accounting firm, Forster and Clark Accountants, which provides accounting services for the Company. The amount of accounting fees paid to accounting firm in 2008 was: $3,110 (2007: $1,140).

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

Directors shareholdings	**2008**	**2007**
Alan Keith Gostelow	501	501
Francis Barry McGarvey	2,001	2,001
John Frederick Payne	2,001	2,001
Kenneth Mervyn Aly	10,000	10,000
Leanne du Plessis	-	-
Brian Edward Dohnt (Resigned 28 February 2008)	-	-
Andrew Neil Forster (Resigned 20 February 2008)	50,001	50,001
Terrence William Hall (Resigned 22 November 2007)	30,001	30,001
Sybil Lynette Fowler (Retired 22 November 2007)	25,001	25,001
David Maxwell Walsh (Retired 22 November 2007)	30,001	30,001

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

Note 17. Earnings per share

	2008 $	**2007 $**
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	35,241	(60,707)

	2008 Number	**2007 Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	750,010	750,010

Note 18. Events occurring after the balance sheet date

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

Note 19. Contingent liabilities

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

Note 20. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited. The economic entity operates in one geographic area being Inverloch and the surrounding district of Victoria.

Note 21. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
10 Williams Street, Inverloch VIC 3996	16C Williams Street, Inverloch VIC 3996

Note 22. Financial instruments

Net fair values

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

Credit risk

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

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

Note 22. Financial instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate		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 $	2008 %	2007 %
Financial assets												
Cash assets	92,191	33,885	-	-	-	-	-	-	-	-	0.05	0.2
Term deposit	-	-	290,000	300,000	-	-	-	-	-	-	6.92	6.39
Receivables	-	-	-	-	-	-	-	-	14,313	8,355	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	4,745	7,275	N/A	N/A

Director’s declaration

In accordance with a resolution of the Directors of Inverloch & District Financial Enterprises Limited, we state that:

In the opinion of the Directors:

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

(i) giving a true and fair view of the Company’s financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors’ report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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

Alan Keith Gostelow
Chairman

John Frederick Payne
Director

Signed on 26 of September 2008.

Independent audit report

Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Inverloch & District Financial Enterprises Limited

We have audited the accompanying financial report of Inverloch & District Financial Enterprises 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 directors' 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 directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

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 Inverloch & District Financial Enterprises 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 directors' report comply with Accounting Standards AASB 124 Related Party Disclosures.

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

Dated this 26th day of September 2008

BSX report

In addition to information provided in accordance with statutory requirements (Corporations Act S314) of a Financial Report, Directors' Report and Auditors Report all BSX listed entities are obliged to report on a number of other items in accordance with BSX Listing Rule 3.17. Accordingly the Directors of Inverloch & District Financial Enterprises report on those items not included elsewhere in the Annual Report as follows:

(a) This information is current as at 12 September 2008.

(b) There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents contained in this Annual Report.

(c) The Company ascribes to the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" insofar as they apply to a small listed entity. In particular the Company has established a Finance Audit & Governance Committee of the Board to fulfil its responsibilities to Bendigo Bank Limited, shareholders, customers and other stakeholders by exercising due care, diligence and skill.

(d) The Company has no substantial shareholders.

(e) The Company has 209 ordinary shareholders for 750,010 shares.

(f) Shareholders are entitled to one vote only for their entire shareholding.

(g) The number of shareholders, by size of holding is:

Size of holding	# of holders	# of shares
1 - 1,000	105	67,653
1,001 - 5,000	74	237,853
5,001 - 10,000	22	209,500
10,001 - 100,000	8	235,004
100,001 and over	Nil	Nil
Total	**209**	**750,010**

(h) The Company Share Register records 68 shareholders who hold non marketable share parcels.

BSX report continued

(i) Details of the 10 largest holders of shares are:

Rank	Shareholder	# of ordinary shares	% of ordinary shares
1	Croweaters Super Fund a/c	50,001	6.7%
2	South Coast Super Fund a/c	50,000	6.7%
3	Mr Geoff & Mrs Rosemary Brooks	50,000	6.7%
4	Hall Family Super Fund a/c	30,001	4.0%
5	Walsh Family Super Fund a/c	30,001	4.0%
6	Jeeralang Design P/L Super Fund a/c	25,001	3.3%
7	Mrs Denise Beard	10,000	1.3%
8	A&P Brown Family Super Fund	10,000	1.3%
9	Mr Grant Caldwell	10,000	1.3%
10	Mr Vincent & Mrs Miriam Dowling	10,000	1.3%
	Total	**275,004**	

(j) The Company Secretary is Alan Gostelow.

(k) The Telephone number of the Registered Office is: (03) 5674 2922.

(l) The Address and Telephone Number for the Company's Share Registry is:

Essential Registry Team

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street,

Abbotsford VIC 3067

Phone No: (03) 9415 4000 or 1300 850 505

(m) The Company has no restricted securities on issue.

(n) The Company has issued 750,010 shares to 209 shareholders.

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Inverloch & District **Community Bank®** Branch
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