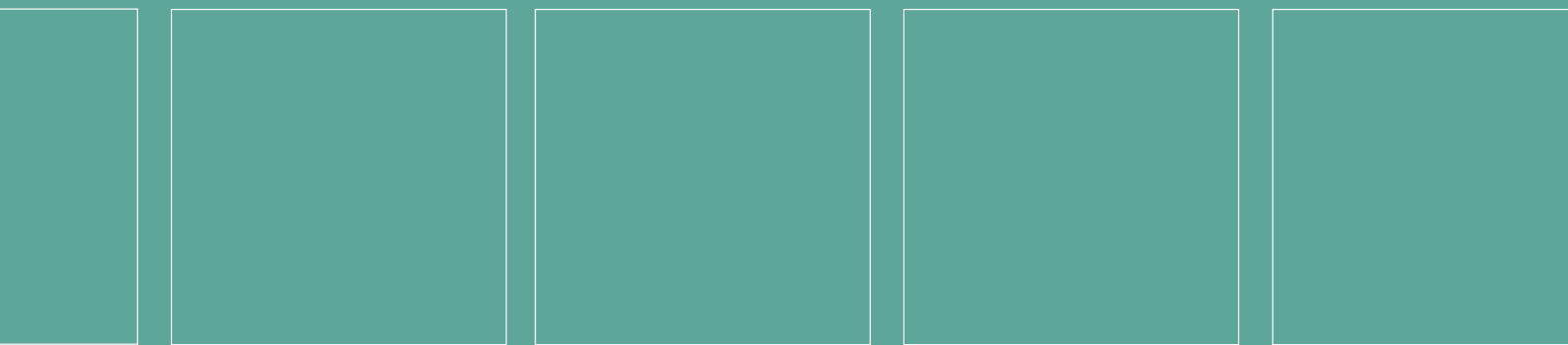


2008
annual report



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Chairman's report

For year ending 30 June 2008

It is with pleasure that I present the Chairman's report for the fifth Annual General Meeting of Lockmore Financial Services Ltd.

The past 12 months has seen total banking business grow to \$58.2 million. The business split sees Elmore with approximately two thirds of business and Lockington with a third. I'm pleased to report that both sites have recorded strong growth throughout the year and as revealed in the Financial report, this growth has resulted in a strong surplus and a net profit of \$98,000.

The Board was very pleased to pay out an inaugural dividend of 7.5 cents per share in December 2007. After four years of trading, it was just reward for the patience and loyalty of our shareholders. As the business continues to grow, further dividends will be forthcoming.

Once again, the Board has continued to be pro-active in developing strategies to further promote the business. Key to this was the launch of our \$20,000 Sponsorship Program where funds would be available to community groups over the 2008/2009 financial year. It is hoped this community investment will result in increased business. The funding for this program is made possible through our Market Development Fund. So, we strongly encourage groups to think outside the square and put forward some fresh sponsorship requests that will assist their group, as well as providing advertising or other marketing opportunities for the **Community Bank**[®] branch.

I'd like to thank our team of staff, Helen McCaskie, Tanya Niven, Claire Connaughton, Rachel Baker, Laura Hopkins and Julie Sebire, led by Manager Andre Clayton. Through your commitment you have served our region and you are an integral part of our business.

I would like to congratulate all Board members for their continued energy and effort throughout the year. Their attendance at meetings, as well as Bendigo Bank functions, training and other events is a clear indication of their commitment.

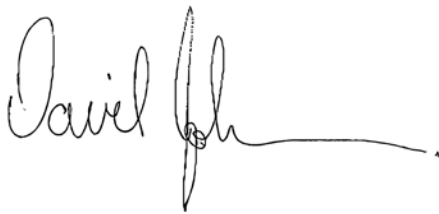
We have had several changes to the Board this year. We welcomed Christine Weller and we look forward to her continued involvement in the years ahead and we farewelled our inaugural Treasurer, Lesley Corrie. Lesley's contribution should not be under-estimated and we all wish her well for the future.

Chairman's report continued

I would particularly like to thank Corrie Holmberg (our Treasurer) and Helen O'Sullivan (our Company Secretary) for their efforts and commitment throughout the year. The level of compliance required is significant and the effort and attention to detail provided by these Directors is commendable. All members of the Board are extremely appreciative of their efforts.

As this **Community Bank**[®] branch continues to grow across both communities, we can look forward to future success. Increased business will result in further shareholder dividends and more community investment.

In closing, I urge you to continue to support this important community asset and encourage others to do the same. Bank with us and everybody benefits!

A handwritten signature in black ink, appearing to read 'David Johnson', with a long horizontal flourish extending to the right.

David Johnson
Chairman

Manager's report

For year ending 30 June 2008

Welcome to our 5th Annual Report.

It is with great pleasure I am able to report that in our fourth full year of trading we have continued to build upon last year's achievements and in doing so have had another successful year. This year we have posted a net profit of just over \$98,000, which is significantly up on our first profit of just over \$38,000 last year. My thanks go to everyone who supports us – “your bank” is now having a significant impact within the community.

As at 30 June 2008, our total business balance was \$58.2 million. This is an increase of \$9.1 million which represents growth of 15.6% for the year. Deposits grew by 18% and are now at \$34.3 million, while lending grew by 11% and is now at \$23.9 million.

We now have 3019 bank accounts; this is an increase of 321 from last year – or as I like to say, 321 new people have chosen to do their banking “The Elmore/Lockington **Community Bank**® Branch way.”

In December, shareholders received a 7.5 cent dividend. This meant \$54,000 was handed out to shareholders and arrived just in time for Christmas. In May, we ran a sponsorship evening offering organisations the opportunity to apply for funds.

These two events are what the **Community Bank**® concept is all about – bank with us and everyone benefits. We are now seeing the hard work everyone has put in over the past five years coming to fruition.

Earlier in the year, I had the opportunity to go out and spend a day with farmers as their bio diesel was delivered. Many of these farmers do not currently bank with Bendigo Bank. It was a pleasure to spend a bit of time (as the fuel was being pumped into their tank) chatting to the farmers about what products and services we can deliver. Many couldn't believe that Bendigo Bank was able to meet all of their banking and financial needs. I am extremely pleased to report that as a result of this day new business has been written and we now have more customers.

Once again my thanks go to the Board of Lockmore Financial Services. The staff and I feel extremely lucky to have such a hard working and passionate Board guiding us.

As new **Community Bank**® branches continue to open around the country, more and more ATM's come online. As long as your accounts are domiciled to Elmore/Lockington **Community Bank**® Branch you can be anywhere in Australia or around the world and know that while you are going about your business, you are having a positive impact on our business and our community.

From myself and the staff, thank you for your continued support and recommendation to others, as you can see from the above you are starting to see the benefits and results.



Andre Clayton
Branch Manager

Directors' report

For year ending 30 June 2008

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

Directors

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

David John Johnson

Chairman

Age: 40

Occupation: Farmer

Helen Dianne O'Sullivan

Secretary

Age: 55

Occupation: Teacher

Leanne Margaret Pentreath

Director

Age: 45

Occupation: Business Proprietor

Corinne Gaye Holmberg

Treasurer

Age: 59

Occupation: Office Administrator

Louise Frances Ross

Director

Age: 41

Community Projects Officer/Centre Manager

David Thomas Trewick

Director

Age: 37

Occupation: Farmer

Maxwell John Williams

Director

Age: 59

Occupation: Farmer

Graeme Trevor Wood

Director

Age: 52

Occupation: Farmer

Jennifer Anne Dobell

Director

Age: 33

Occupation: Director of Finance

Christine Joy Weller

Director (Appointed 3 December 2007)

Age: 44

Occupation: Office Administrator

Lesley Gay Corrie

Director (Resigned 17 June 2008)

Age: 69

Occupation: Retired Accountant/Teacher

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

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

Directors' report continued

Company Secretary

The Company Secretary is Helen O'Sullivan. Helen O'Sullivan was appointed to the position of Secretary on the 25 June 2003. Helen holds a Bachelor of Education with thirty years experience. She has been president for seven years of a local association and has held several other committee positions.

Principal activities

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

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

Operating results

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

	Year ended 30 June 2008	Year ended 30 June 2007
	\$	\$
	98,323	38,245

Dividends

	Year Ended 30 June 2008	
	Cents	\$
Final dividend:		
Dividend paid in the year:	7.5	54,000

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' report continued

Directors' benefits

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

Indemnification and insurance of Directors and Officers

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

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

Directors meetings

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

	Number of Board meetings eligible to attend	Number attended
David John Johnson	11	11
Helen Dianne O'Sullivan	11	10
Leanne Margaret Pentreath	11	8
Corinne Gaye Holmberg	11	10
Louise Frances Ross	11	11
David Thomas Trewick	11	10
Maxwell John Williams	11	11
Graeme Trevor Wood	11	10
Jennifer Anne Dobell	11	7
Christine Joy Weller (Appointed 3 December 2007)	6	5
Lesley Gay Corrie (Resigned 17 June 2008)	11	4

Directors' report continued

Non audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

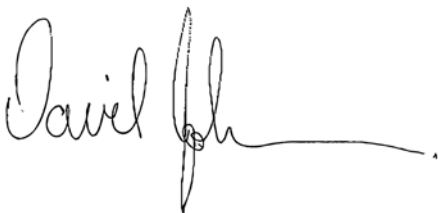
The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Board of Directors at Elmore, Victoria on 25 August 2008.



David John Johnson
Chairman



Corinne Gaye Holmberg
Director

Auditor's independence declaration



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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 Lockmore 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 25th day of August 2008

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	565,541	445,586
Salaries and employee benefits expense		(222,485)	(203,232)
Systems costs		(40,066)	(32,822)
Advertising and promotion expenses		(25,297)	(13,744)
Occupancy and associated costs		(26,979)	(25,576)
Depreciation and amortisation expense	4	(26,961)	(26,655)
General administration expenses		(91,254)	(83,315)
Profit before income tax expense		132,499	60,242
Income tax expense	5	(34,176)	(21,997)
Profit for the period		98,323	38,245
Profit attributable to members of the entity		98,323	38,245
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	13.66	5.31
- dividends paid per share	19	7.5	-

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	427,812	336,336
Receivables	7	43,081	32,412
Total current assets		470,893	368,748
Non-current assets			
Property, plant and equipment	8	93,342	108,303
Intangibles	9	5,000	17,000
Deferred tax assets	10	29,514	63,690
Total non-current assets		127,856	188,993
Total assets		598,749	557,741
Liabilities			
Current liabilities			
Payables	11	18,078	14,084
Interest bearing liabilities	12	8,873	8,210
Provisions	13	17,097	19,442
Total current liabilities		44,048	41,736
Non-current liabilities			
Interest bearing liabilities	12	13,966	22,839
Provisions	13	3,246	-
Total non-current liabilities		17,212	22,839
Total liabilities		61,260	64,575
Net assets		537,489	493,166
Equity			
Contributed equity	14	690,457	690,457
Accumulated losses	15	(152,968)	(197,291)
Total equity		537,489	493,166

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		587,491	467,998
Payments to suppliers and employees		(452,155)	(397,012)
Interest received		20,538	15,016
Interest paid		(2,187)	(1,530)
Net cash provided by operating activities	16	153,687	84,472
Cash flows from investing activities			
Payments for property, plant and equipment		-	(34,197)
Net cash used in investing activities		-	(34,197)
Cash flows from financing activities			
Repayment of borrowings		(8,211)	(5,365)
Proceeds from borrowings		-	36,414
Payment of dividends		(54,000)	-
Net cash provided by/(used in) financing activities		(62,211)	31,049
Net increase in cash held		91,476	81,324
Cash at the beginning of the financial year		336,336	255,012
Cash at the end of the financial year	6(a)	427,812	336,336

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		493,166	454,921
Net profit for the period		98,323	38,245
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		(54,000)	-
Shares issued during period		-	-
Total equity at the end of the period		537,489	493,166

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

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

Historical cost convention

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

Revenue

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

Goods and services tax

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

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

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

Intangibles

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

Critical accounting estimates and judgements

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

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

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

Payment terms

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

Trade receivables and payables

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

Borrowings

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

Provisions

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

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Contributed equity

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

Earnings per share

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Notes to the financial statements continued

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

	2008 \$	2007 \$
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Note 3. Revenue from ordinary activities

Operating activities:

- services commissions	541,205	429,395
- other	1,053	111
Total revenue from operating activities	542,258	429,506

Non-operating activities:

- interest received	23,283	16,080
Total revenue from non-operating activities	23,283	16,080
Total revenues from ordinary activities	565,541	445,586

Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	9,832	9,526
- leasehold improvements	5,129	5,129

Amortisation of non-current assets:

- franchise agreement	12,000	12,000
	26,961	26,655

Finance costs:

- interest paid	2,186	1,530
Bad debts	96	-

Notes to the financial statements continued

	Note	2008 \$	2007 \$
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Note 5. Income tax expense

The components of tax expense comprise:

- Current tax		-	-
- Deferred tax on provisions		(6,755)	-
- Recoupment of prior year tax losses		40,931	21,997
- Future income tax benefit attributable to losses		-	-
- Under/over provision in respect to prior years			
		34,176	21,997

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

Operating profit		132,499	60,242
Prima facie tax on profit from ordinary activities at 30%		39,750	18,073
Add tax effect of:			
- non-deductible expenses		3,600	3,600
- timing difference expenses		(646)	2,097
- blackhole expenses		(1,773)	(1,773)
Current tax		40,931	21,997
Movement in deferred tax	10	(6,755)	-
		34,176	21,997

Note 6. Cash assets

Cash at bank and on hand		49,987	58,922
Term deposits		377,825	277,414
		427,812	336,336

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

6(a) Reconciliation of cash

Cash at bank and on hand		49,987	58,922
Term deposit		377,825	277,414
		427,812	336,336

Notes to the financial statements continued

	2008 \$	2007 \$
Note 7. Trade and other receivables		
Trade receivables	35,911	27,987
Accrued income	7,170.00	4,425
	43,081	32,412

Note 8. Property, plant and equipment

Plant and equipment

At cost	46,742	46,742
Less accumulated depreciation	(23,492)	(19,190)
	23,250	27,552

Leasehold improvements

At cost	69,630	69,630
Less accumulated depreciation	(23,502)	(18,373)
	46,128	51,257

Motor vehicle

At cost	33,233	33,233
Less accumulated depreciation	(9,269)	(3,739)
	23,964	29,494

Total written down amount	93,342	108,303
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	27,552	32,375
Additions	-	964
Disposals	-	-
Less: depreciation expense	(4,302)	(5,787)
Carrying amount at end	23,250	27,552

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	51,257	56,386
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,129)	(5,129)
Carrying amount at end	46,128	51,257
Motor vehicle		
Carrying amount at beginning	29,494	-
Additions	-	33,233
Disposals	-	-
Less: depreciation expense	(5,530)	(3,739)
Carrying amount at end	23,964	29,494
Total written down amount	93,342	108,303

Note 9. Intangible assets

Franchise fee		
At cost	60,000	60,000
Less: accumulated amortisation	(55,000)	(43,000)
	5,000	17,000

Note 10. Deferred tax

Deferred tax asset		
Opening balance	63,690	85,687
Future income tax benefits attributable to losses	-	-
Recoupment of prior year tax losses	(40,931)	21,997
Deferred tax on provisions	6,755	-
Closing balance	29,514	63,690

Notes to the financial statements continued

	2008 \$	2007 \$
Note 11. Trade and other payables		
Trade creditors	16,078	17,748
Other creditors & accruals	2,000	1,800
	18,078	19,548

Note 12. Borrowings

Current

Lease liability	8,873	8,210
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Non current

Lease liability	13,966	22,839
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Lease liability is unsecured and interest is charged at a rate of 7.8%pa.

Note 13. Provisions

Employee provisions

Current

Provisions	17,097	19,442
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Non current

Provisions	3,246	-
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Note 14. Contributed equity

720,000 Ordinary shares fully paid of \$1 each

(2007: 720,000)	720,000	720,000
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Less: equity raising expenses	(29,543)	(29,543)
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	690,457	690,457
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 15. Retained earnings/ accumulated losses		
Balance at the beginning of the financial year	(197,291)	(235,536)
Net profit from ordinary activities after income tax	98,323	38,245
Dividends paid	(54,000)	-
Balance at the end of the financial year	(152,968)	(197,291)

Note 16. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	98,323	38,245
Non cash items:		
- depreciation	14,961	14,655
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- increase in receivables	(10,668)	(2,954)
- decrease in other assets	34,176	21,997
- increase/(decrease) in payables	3,994	(5,464)
- increase in other liabilities	901	5,993
Net cash flows provided by operating activities	153,687	84,472

Note 17. Auditors' remuneration

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

- audit & review services	3,000	3,000
- non audit services	3,057	1,700
	6,057	4,700

Notes to the financial statements continued

Note 18. Director and related party disclosures

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

David John Johnson
Helen Dianne O'Sullivan
Leanne Margaret Pentreath
Corinne Gaye Holmberg
Louise Frances Ross
David Thomas Trewick
Maxwell John Williams
Graeme Trevor Wood
Jennifer Anne Dobell
Christine Joy Weller (Appointed 3 December 2007)
Lesley Gay Corrie (Resigned 17 June 2008)

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

Directors shareholdings	2008	2007
David John Johnson	5,001	5,001
Helen Dianne O'Sullivan	5,001	5,001
Leanne Margaret Pentreath	5,001	5,001
Corinne Gaye Holmberg	2,001	2,001
Louise Frances Ross	1,501	1,501
David Thomas Trewick	3,001	3,001
Maxwell John Williams	7,001	7,001
Graeme Trevor Wood	501	501
Jennifer Anne Dobell	5,000	5,000
Christine Joy Weller (Appointed 3 December 2007)	*1,000	-
Lesley Gay Corrie (Resigned 17 June 2008)	1,001	1,001

*1,000 shares held by Christine's spouse, Paul Weller.

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

Notes to the financial statements continued

	2008 \$	2007 \$
Note 19. Dividends paid or provided		
Ordinary shares		
Dividend for the year ended 30 June 2007 of 7.5 cents per fully paid share		
Unfranked - 7.5 cents per share	54,000	-

Note 20. Key management personnel disclosures

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

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

Note 21. Earnings per share

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

	98,323	38,245
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	2007 Number	2006 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	720,000	720,000

Note 22. Events occurring after the balance sheet date

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

Note 23. Contingent liabilities

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

Notes to the financial statements continued

Note 24. Segment reporting

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

Note 25. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
62 Railway Place, Elmore VIC 3558	62 Railway Place, Elmore VIC 3558
	9-11 Lockington Road, Lockington VIC 3558

Note 26. 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 Income Statement 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.

Notes to the financial statements continued

Note 26. Financial Instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets											0.05	0.05
Cash assets	48,987	58,922	-	-	-	-	-	-	-	-	7.95	5.67
Investments	-	-	377,825	277,414	-	-	-	-	-	-	N/A	N/A
Receivables	-	-	-	-	-	-	-	-	43,081	32,412		
Financial liabilities												
Interest bearing liabilities	-	-	8,873	8,210	13,965	22,839	-	-	-	-	7.8	7.8
Payables	-	-	-	-	-	-	-	-	18,078	14,084	N/A	N/A

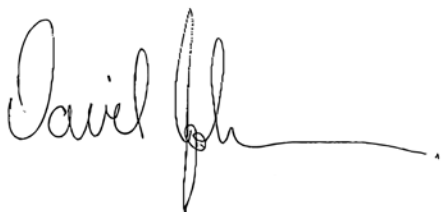
Director's declaration

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

In the opinion of the Directors:

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

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



David John Johnson
Chairman



Corinne Gaye Holmberg
Director

Signed on 25 August 2008.

Independent audit report



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ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Lockmore Financial Services Limited

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

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

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independent audit report continued

Independence

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

Auditor's Opinion

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Lockmore 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 25th day of August 2008

Elmore/Lockington & Districts **Community Bank**[®] Branch
62 Railway Place, Elmore VIC 3558
Phone: (03) 5432 6706 Fax: (03) 5432 6708

9-11 Lockington Road, Lockington VIC 3563
Phone: (03) 5486 2304 Fax: (03) 5486 2435

Franchisee: Lockmore Financial Services Limited
62 Railway Place, Elmore VIC 3558
Phone: (03) 5432 6706 Fax: (03) 5432 6708
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Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8041) (08/08)