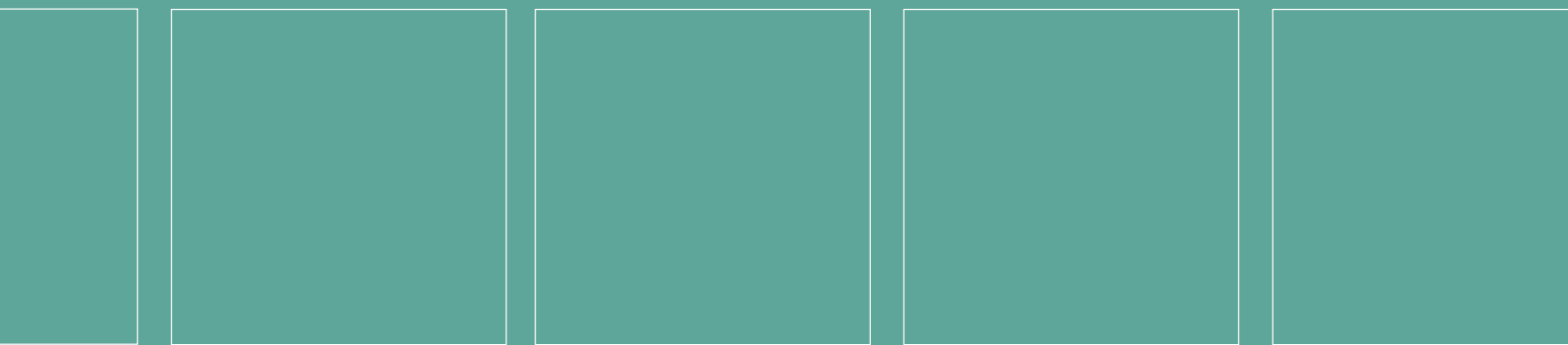


Mount Gambier & District
Financial Services Limited

ABN 42 096 059 997

2008 annualreport



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Chairman's report

For year ending 30 June 2008

It is with pleasure that I report on the progress of Mount Gambier & District Financial Services Limited during the last financial year.

The Board and staff have continued to focus on achieving growth to the business and in the total portfolio, increasing profitability which allows us to support local clubs, charities and community organizations and to provide a respectable dividend to our shareholders.

Operating results

The Mount Gambier & District **Community Bank**[®] Branch achieved a net profit for the 2007/2008 financial year of \$11,185. Our total business banking grew from \$52.01 million to \$56.6 million over the reporting period. At the time of writing this report, the total book was running at more than \$60 million. Our gross income for the financial year increased from \$458,657 to \$500,535. We are pleased to announce that for the first two months of the 2008/2009 year we have achieved profits and at the end of August 2008, we were ahead of budget.

Dividend payment

The Board appreciates the patience shown by shareholders waiting for a reasonable return on their investment. Based on the continuing growth of the business we expect to be in a position to soon increase our dividend to shareholders.

Director's contribution

I wish to thank the Directors for their efforts over the past 12 months. We are a small Board of only six Directors and have been earnestly seeking the assistance of further Board members. We have had indications from two community members that they are prepared to join the Board and we are following up with other people whose names have been provided to us.

Engaging with our community

We are pleased with the way our **Community Bank**[®] branch has continued to engage with the local community. To date we have provided more than \$60,000 to community sporting and arts groups, schools and the Mount Gambier Show. A sponsorship evening was held this year with Mike Clutterham from Adelaide, attended by about 40 people. The evening was to tell local community groups how the **Community Bank**[®] branch can support them and, importantly, how they can support the branch with their business.

Acknowledging our staff

The Board sincerely thanks the wonderful staff at our **Community Bank**[®] branch. Alex Smitas, our Branch Manager, returned to Adelaide in March and Tracy Koop has since been acting in the role. Tracy has embarked on a program of broadening the skills and capabilities of the staff.

Chairman's report continued

The Board continues to receive positive feedback from customers about our branch staff. We appreciate the courteous and cheerful service provided to our customers by them. Thank you Tracy and all the staff, for your dedication.

Conclusion

Once again, I would like to express my thanks to our shareholders for the support they have given to establish our **Community Bank**[®] branch.

Your on-going support as customers will ensure the continued success of the branch.

Thank you for your support and encouragement.

A handwritten signature in black ink, appearing to read 'Herman Bersee', written in a cursive style.

Herman Bersee
Chairman

Manager's report

For year ending 30 June 2008

The financial year of 2007/2008 has seen many changes within Bendigo Bank, the major change being the merger with Adelaide Bank. This merger gave me the opportunity to join the Mt Gambier & District **Community Bank**[®] Branch as Branch Manager in April 2008.

In my time here, I have been supported by a wonderful group of dedicated staff members. Michelle Baker, Michelle Wallace, Julia Beare, Kerry Lawson and Marissa Altorf-Hawke continue to offer superior service to our clients and endeavour to meet their financial needs. Neville Johns heads up our business banking team, ably assisted by Wendy Stevens. Their professionalism and business knowledge is a great asset to our branch and our clients.

We are also fortunate to have gained Paul Johnston as our financial planner. He is available at the branch on a monthly basis for appointments to talk about all aspects of financial planning.

Our sponsorships of several community events continues to be a great success for both the **Community Bank**[®] branch and the groups involved. This financial year has seen great partnerships continue with A&H Show Society, Western Border Football League, the Arts Society and the Stand Like Stone Foundation. Our donation to Stand Like Stone Winter "Back to School" Programme enabled the Foundation to distribute an additional 20 vouchers to assist with school expenses to children attending local schools.

Our staff have always embraced the community focus of our banking ethos. This was highlighted by a decision to donate blood as a group recently at the Red Cross Mobile Blood Bank. Our next project will be to help with the delivering of meals with the local Meals on Wheels.

The past year has seen our branch portfolio of business increase from \$53.5 million to \$56.6 million and it is pleasing to finish the year with a small profit.

As we head into 2008/2009, I urge you to continue supporting our local **Community Bank**[®] branch with your business and referrals. By supporting us, we can make a greater contribution to the community.

My staff and I look forward to your ongoing support and a productive year ahead.



Tracy Koop
Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors submit their 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 are:

Mr. Herman Augustinus Bersee LLB

Chairman

Board Member since 28/02/2001

Ms. Pauline Grieve

Secretary

Board Member since 21/02/2007

Mrs. Tracey Wanganeen

Board Member since 17/01/2007

Mr. Robert James Foggo BA, ASSOC. DIP. SW

Board Member since 28/02/2001

Mr. Edgar Malcolm Peucker

Board Member since 25/08/2004

Mr. Hendrik Jan Bruins FCA, DIP. Bus. Studies

Board Member since 22/02/2006

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

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **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 profit/(loss) of the Company for the financial year after provision for income tax was \$11185 (2007: \$2335).

Dividends	Year ended 30 June 2008	
	Cents Per Share	\$'000
Final dividends recommended:	0	0
Dividends paid in the year:		
- Interim for the year	0	0
- As recommended in the prior year report	0	0

Directors' report continued

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.

Significant events after the balance date

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 providing banking services to the community.

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 Managers 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 meetings held:	11
<hr/>	
Number of meetings attended:	
Mr. Herman Augustinus Bersee	10
Ms. Pauline Grieve	11
Mr. Hendrik Jan Bruins	7
Mr. Robert James Foggo	3
Mr. Edgar Malcolm Peucker	7
Mrs. Tracey Wanganeen	10

Directors' report continued

Company Secretary

Ms. Pauline Grieve has been the Company Secretary of Mount Gambier & District Financial Services Limited for the full year.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 8.

Signed in accordance with a resolution of the Board of Directors at Mount Gambier on 30 September 2008.



Herman Bersee
Director

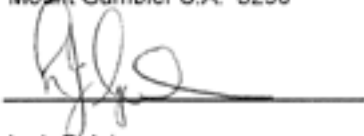
Auditor's independence declaration

**Under Section 307C of the Corporations Act 2001
to the Directors of Mount Gambier & District Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

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

Galpin, Engler, Bruins & Dempsey
233 Commercial Street West
Mount Gambier S.A. 5290



L. J. Galpin

Signed on the *29th* day of *September*, 2008.

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	2	500,535	458,657
Employee benefits expense	3	(184,534)	(200,591)
Charitable donations and sponsorship		(15,809)	(7,338)
Depreciation and amortisation expense	3	(20,776)	(19,447)
Finance costs	3	(23,467)	(21,169)
Other expenses from ordinary activities		(244,764)	(207,777)
Profit/(loss) before income tax expense		11,185	2,335
Income tax expense	4	-	-
Profit/(loss) after income tax expense		11,185	2,335
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	2.37	0.50
- diluted for profit / (loss) for the year	22	2.37	0.50
- dividends paid per share	21	-	1.00

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	200	100
Receivables	7	53,731	54,177
Other		684	3,861
Total current assets		54,615	58,138
Non-current assets			
Property, plant and equipment	8	55,593	61,339
Deferred income tax asset	4	-	-
Intangible assets	9	12,664	17,210
Total non-current assets		68,257	78,549
Total assets		122,872	136,687
Current liabilities			
Payables	10	31,503	47,912
Interest bearing liabilities	11	201,577	214,842
Current tax payable	4	-	-
Provisions	12	11,431	6,757
Total current liabilities		244,511	269,511
Non-current liabilities			
Interest bearing liabilities	11	-	-
Total non-current liabilities		-	-
Total liabilities		244,511	269,511
Net assets/(liabilities)		(121,639)	(132,824)
Equity			
Share capital	13	471,458	471,458
Retained earnings / (accumulated losses)	14	(593,097)	(604,282)
Total equity		(121,639)	(132,824)

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			
Cash receipts in the course of operations		581,385	499,411
Cash payments in the course of operations		(533,261)	(466,196)
Interest paid		(23,467)	(21,169)
Interest received		-	-
Income tax paid		-	-
Net cash flows from/(used in) operating activities	15b	24,657	12,046
Cash flows from investing activities			
Payment for intangible assets		(5,454)	(22,727)
Payments for property, plant and equipment		(5,030)	(2,912)
Net cash flows from/(used in) investing activities		(10,484)	(25,639)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Finance lease payments		-	-
Dividends paid		(808)	(3,836)
Net cash flows from/(used in) financing activities		(808)	(3,836)
Net increase/(decrease) in cash held		13,365	(17,429)
Add opening cash brought forward		(214,742)	(197,313)
Closing cash carried forward	15a	(201,377)	(214,742)

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 \$
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		471,458	471,458
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		471,458	471,458
Retained earnings			
Balance at start of year		(604,282)	(601,902)
Profit/(loss) after income tax expense		11,185	2,335
Dividends paid		-	(4,715)
Balance at end of year		(593,097)	(604,282)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 20 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.5%
Plant & equipment	10-20%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 from 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 cash flow statement 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 operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid.

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

Intangibles

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

Provisions

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

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

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Notes to the financial statements continued

	2008 \$	2007 \$
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	500,535	458,657
- other revenue	-	-
Total revenue from operating activities	500,535	458,657
Non-operating activities:		
- interest received	-	-
- other revenue	-	-
Total revenue from non-operating activities	-	-
Total revenue from ordinary activities	500,535	458,657

Note 3. Expenses

Employee benefits expense		
- wages and salaries	(163,984)	(172,232)
- superannuation costs	(18,767)	(17,152)
- post-employment benefits (other than superannuation)	(1,351)	(802)
- workers' compensation costs	(23)	(88)
- other costs	(409)	(10,317)
	(184,534)	(200,591)
Depreciation of non-current assets:		
- plant and equipment	(10,776)	(10,552)
- buildings	-	-
Amortisation of non-current assets:		
- intangibles	(10,000)	(8,895)
	(20,776)	(19,447)
Finance costs:		
- Interest paid	(23,467)	(21,169)
Bad debts	(628)	(536)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 4. Income tax expense		
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	2,265	700
Add tax effect of:		
- Non-deductible expenses	-	-
- Prior year tax losses not previously brought to account	(2,265)	(700)
- Future income tax benefit not brought to account	-	-
Current income tax expense	-	-
Origination and reversal of temporary differences	-	-
Deferred income tax expense	-	-
Income tax expense	-	-
Tax liabilities		
Current tax payable	-	-
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	-	-

Note 5. Auditors' remuneration

Amounts received or due and receivable by Galpin, Engler Bruins & Dempsey for:

- Audit or review of the financial report of the Company	3,480	3,480
- Other services in relation to the Company	7,775	6,120
	11,255	9,600

6. Cash assets

Cash at bank and on hand	200	100
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 7. Receivables		
GST receivable	6,653	9,524
Trade debtors	47,078	44,236
Other	-	417
	53,731	54,177

Note 8. Property, plant and equipment

Buildings

At cost	-	-
Less accumulated depreciation	-	-
	-	-

Plant and equipment

At cost	148,423	143,393
Less accumulated depreciation	(92,830)	(82,054)
	55,593	61,339
Total written down amount	55,593	61,339

Movements in carrying amounts

Building

Carrying amount at beginning of year	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Carrying amount at end of year	-	-

Plant and equipment

Carrying amount at beginning of year	61,339	68,480
Additions	5,030	2,911
Disposals	-	-
Depreciation expense	(10,776)	(10,052)
Carrying amount at end of year	55,593	61,339

Notes to the financial statements continued

	2008 \$	2007 \$
Note 9. Intangible assets		
Franchise fee		
At cost	28,182	22,727
Less accumulated amortisation	(15,518)	(5,517)
	12,664	17,210

Note 10. Payables

Trade creditors	7,453	22,213
Other creditors and accruals	24,050	25,699
	31,503	47,912

Note 11. Interest bearing liabilities

Bank overdraft	201,577	214,842
Bank loan - secured	-	-
	201,577	214,842

The bank overdraft is secured by a debenture charge over the Company

Note 12. Provisions

Unpaid declared dividend	70	878
Employee benefits	11,361	5,879
	11,431	6,757
Number of employees at year end	5	5

Note 13. Share capital

471,458 Ordinary Shares fully paid of \$1 each	471,458	471,458
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Notes to the financial statements continued

	2008 \$	2007 \$
Note 14. Retained earnings / (accumulated losses)		
Balance at the beginning of the financial year	(604,282)	(601,902)
Profit/(loss) after income tax	11,185	2,335
Dividends	-	(4,715)
Balance at the end of the financial year	(593,097)	(604,282)

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash assets	200	100
Bank overdraft	(201,577)	(214,842)
	(201,377)	(214,742)

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

Profit / (loss) after income tax	11,185	2,335
Non cash items		
- Depreciation	10,776	10,052
- Amortisation	10,000	8,895
Changes in assets and liabilities		
- (Increase) decrease in receivables	447	(10,018)
- Increase (decrease) in payables	(16,409)	6,102
- Increase (decrease) in provisions	8,658	(5,320)
Net cash flows from/(used in) operating activities	24,657	12,046

Notes to the financial statements continued

Note 16. Director and related party disclosures

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

Mr. Herman Augustinus Bersee

Ms. Pauline Grieve

Mr. Hendrik Jan Bruins

Mr. Robert James Foggo

Mr. Edgar Malcolm Peucker

Mrs. Tracey Wanganeen

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
Mr. Herman Augustinus Bersee	10,001	10,001
Ms. Pauline Grieve	-	-
Mr. Hendrik Jan Bruins	-	-
Mr. Robert James Foggo	200	200
Mr. Edgar Malcolm Peucker	2,000	2,000
Mrs. Tracey Wanganeen	500	500

There was no movement in Directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Mount Gambier and District, South Australia.

Notes to the financial statements continued

Note 20. Corporate information

Mount Gambier & District Financial Services Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

58 Commercial St East,
Mount Gambier SA 5290

	2008 \$	2007 \$
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2007: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2007: nil cents per share)	-	-
(ii) Previous year final		
Unfranked dividends - nil cents per share (2007: 1 cents per share)	-	4,715
(c) Dividends proposed and not recognised as a liability		
Franked dividends - nil cents per share (2007: nil cents per share)	-	-
(d) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	-	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	-	-

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(loss) after income tax expense	11,185	2,335
Weighted average number of ordinary shares for basic and diluted earnings per share	471,458	471,458

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008 \$	2007 \$
Cash assets	200	100
Receivables	53,731	54,177
	53,931	54,277

Notes to the financial statements continued

Note 23. Financial risk management (continued)

The Company's exposure to credit risk is limited to Australia by geographic area. The majority balance of receivables is due from Bendigo and Adelaide Bank Limited.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company has an established overdraft facility of \$220,000 with Bendigo and Adelaide Bank Limited.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	31,503	(31,503)	(31,503)	-	-
Interest bearing liabilities	201,577	-	-	-	-
	233,080	(31,503)	(31,503)	-	-
30 June 2007					
Payables	47,912	(47,912)	(47,912)	-	-
Interest bearing liabilities	214,842	-	-	-	-
	262,754	(47,912)	(47,912)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2008	2007
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(201,577)	(214,842)
	(201,577)	(214,842)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) 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 year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the year.

Director's declaration

In accordance with a resolution of the Directors of Mount Gambier & District Financial Services Limited, I 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 their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.



Herman Bersee
Director

Signed at Mount Gambier on 30 September 2008.

Independent audit report

MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LIMITED

ABN 42 096 059 997

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LIMITED**

Scope

We have audited the financial report of Mount Gambier & District Financial Services Limited for the financial year ended 30 June 2008. The company's directors are responsible for the preparation and presentation of the reports and the information they contain. We have conducted an independent audit of these accounts in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view of the company which is consistent with our understanding of the company's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of Mount Gambier & District Financial Services Limited are in accordance with:

- (a) The Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30th June 2008, and of their performance for the year ended on that date;
 - (ii) complying with Accounting Standards and the Corporations Regulations ; and
- (b) other mandatory professional reporting requirements.

Inability to Fund Operations From Revenues.

Without qualification to the opinion expressed above, attention is drawn to the following matter. Mount Gambier & District Financial Services Ltd. (The Company) is reliant on Bendigo Bank Ltd. providing working capital by way of an overdraft facility to support "The Company's" operations. This support is limited to the 2008/2009 financial year. This support is also reliant on "The Company" adhering to the franchise agreement and the business plan as set out by Bendigo Bank Ltd.

GALPIN, ENGLER, BRUINS & DEMPSEY
Accountants, Auditors & Business Consultants



L.J. GALPIN
Partner.

Dated this 29th day of September 2008

Mount Gambier & District **Community Bank**[®] Branch
58 Commercial Street East, Mount Gambier SA 5290
Phone: (08) 8723 3477

Franchisee: Mount Gambier & District Financial Services Limited
58 Commercial Street East, Mount Gambier SA 5290
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Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
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