Tugun & District
Finances Limited
ACN 102 056 306

2008 annualreport





Contents

Chairman's report

For year ending 30 June 2008

It is 10 years since the first **Community Bank®** opened in Australia and we now have 212 community owned branches Australia wide. This highly successful model is a result of the relationship that exists between the highly dedicated branch staff, the Directors of the **Community Bank®** Boards, Bendigo Bank as the Franchise Partner and the vision shown by thousands of **Community Bank®** Shareholders. The dedicated people who form the **Community Bank®** Boards have helped return more than $18.2 million in **Community Bank®** branch profits to their communities, with $12 million in dividends paid to more than 50,000 local shareholders.

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. It is also interesting to note that Bendigo Bank has the highest business customer service rating in terms of business banking within Australia's financial sector.

On the 23 February 2008, we celebrated our Fifth Birthday of the Tugun **Community Bank®** . Our birthday celebrations were well supported by the community with Tugun Surf Life Saving Club, Currumbin Wildlife Sanctuary, Palm Beach/Currumbin High School and Mitchell's Real Estate all contributing to making the day a huge success.

The Tugun **Community Bank®** has experienced another highly successful year in terms of business growth and support to our community. In these challenging economic times our enthusiastic staff led by our Branch Manager, Jenny Shannon, combined with the diverse skills of our Board of Directors has seen the Branch footings maintain steady growth across a wide range of banking products. The introduction of the Community Banking model to Tugun has not only seen the benefit of convenience for customers, but has also seen a return of business confidence through increased customer numbers and a return to full occupancy in the commercial precinct. It has also given shareholders and customers a sense of pride and satisfaction. They appreciate that just by doing their banking at our **Community Bank®** , they are supporting their community.

I am very pleased to announce our **Community Bank®** has recently been appointed as the preferred banking institution for Currumbin Wildlife Sanctuary. Currumbin Wildlife Sanctuary's 200 employees and volunteer staff will also be offered the opportunity to do their banking locally with the knowledge that a portion of every dollar banked at our **Community Bank®** contributes to funding local community projects. Both organisations value the support of the local community. We look forward to providing Currumbin Wildlife Sanctuary, its staff and volunteers with the personal and professional service our existing customers currently enjoy.

This financial year we have unfortunately experienced an extra ordinary expense item which has been provisioned in the books up to 30 June, 2008 to the value of $15,000. At this point in time, it is anticipated that the claim will not exceed $30,000 which includes the above amount of $15,000. We are working closely with our partner, Bendigo and Adelaide Bank Ltd, to continue to work through appropriate risk management processes that will assist mitigate these events from occurring.

In the coming year we are looking to implement a partnering programme whereby businesses and individuals banking with our **Community Bank®** will be eligible to nominate a community group (that qualifies according to our **Community Bank®** Sponsorship Policy) as a beneficiary of a percentage of profits generated

Chairman’s report continued

from their banking relationship with us. The Board is also looking to become more involved in community initiatives this year with “Clean up Australia Day” as our first project. The day was well supported by Directors of the Board with the focus being on Currumbin Creek and Currumbin Alley. Next year we are hoping to join forces with our customers and shareholders to cover a wider area of our community.

I would like to acknowledge the hard work and commitment of our staff. I commend them for their efforts and thank them on behalf of the Board of Directors and the shareholders. I would also like to take the opportunity to welcome our newest staff members Miss Tess Clifford and Ms Renea Fisher. Our **Community Bank®** currently has $80million in banking business, comprising a favourably balanced book of both loans and deposits. The further strengthening of our position through increased business activity and support from the community will create opportunities to offer additional assistance to community groups and deliver our valued shareholders a higher return on their investment.

With all the talk of success it would be easy to lose focus of the challenges we have in front of us. As Chairman, I encourage you, our shareholders and clients, to promote our **Community Bank®** at every opportunity. With the community behind us, the Tugun Branch of Bendigo Bank through Tugun & District Finances Ltd, will deliver support to our community for generations to come.

Chairman

Tugun & District Finances Limited

Manager's report

For year ending 30 June 2008

To all of our shareholders of Tugun **Community Bank®** Branch, we the staff thank you for your continued support in what was the community's dream to have a local bank in our town, and after five years of business we certainly are living by the Bendigo Bank motto that successful customers and successful communities create a successful bank, but only in that order.

2008 has been a busy year with our fifth birthday in February being celebrated on what must have been the hottest day of the year. We enjoyed the company of many of our shareholders, customers, past Directors, friends and family.

This past year has also seen a change in staff, and although we said farewell to Mark, Ian and Debbie, we welcomed Tess and most recently Renae. With Mark's departure I was honoured to be promoted to Branch Manager in March. Most of you would know that I have been at Tugun for three years and have thoroughly enjoyed working in our community in this time. I'd like to thank the branch staff, Board of Directors, you the shareholders and our customers for banking with us at the Tugun **Community Bank®** Branch and for supporting me in my role.

Tess Clifford joined us in April as a Customer Service Officer. Tess lives in Tugun and was delighted to join our team. Tess came to us from CBA where she worked for three years. Her banking experience has ensured that she will be able to service all of our customers with the professionalism that you have all enjoyed when banking with us at Tugun.

The familiar faces of Melina, Leanne and Bronwyn still greet you, and all continue to work hard to see our branch grow stronger as each year goes by.

Bendigo Bank launched a new campaign in 2008 with advertisements running through the Beijing Olympics. The slogan is "At the Bendigo it starts with U", and how true this saying is. Without you we would not have the successful bank in Tugun that we have today. You make the difference to our community, and as you support us, we can support you.

The last financial year was another year of growth with our business moving very close to having $80million in footings. We have increased our customer numbers steadily and welcomed Currumbin Wildlife Sanctuary and Tugun Bowls Club as customers. We look forward to meeting their staff, volunteers, friends and families in the coming months as we strengthen our relationships with visits to their businesses.

So as we move closer to another year I take this opportunity to once again thank you for your valued support that you have given over the past five years and look forward to many more. If you support us as a shareholder, but are not yet a customer we extend a warm welcome to you to come in or give us a call. We will be only too happy to chat on how we can best service you with your banking needs.

J Shannon

Jenny Shannon

Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors present their report on the Company for the 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:

Allan Blenkins
Chairman
Master Builder

Colin Woodward
Treasurer (Appointed 1/11/07)
Accountant

Valentine Meynink
Director
Business Manager

Robert Marshall
Company Secretary (Appointed 1/11/07)
Retired solicitor

David Mitchell
Director
Licensed Real Estate Agent

Dr. Paul Hansen
Director
Senior Lecturer in Education

Ross Johnston
Director
Accountant

Wendy Handley
Director (Appointed 27/02/08)
Physiotherapist

Anthony Dick
Director (Appointed 1/11/07)
Retailer

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 $44,488 (2007:$29,612).

	Year ended 30 June 2008	
Dividends	**Cents per share**	**$'000**
Final dividends recommended:	5c	30,000
Dividends paid in the year:		
- Interim for the year	Nil	Nil
- As recommended in the prior year report	4c	24,000

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.

Significant events after the balance date

Provision for procedural error expense as yet not quantified but a further $15,000 expense is possible.

There are no furthermatters 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:

Directors' report continued

Number of meetings held:	12
Number of meetings attended:	
Allan Blenkins	12
Valentine Meynink	11
Robert Marshall	9
Colin Woodward	8
Ross Johnston	10
David Mitchell	11
Dr. Paul Hansen	9
Anthony Dick	9
Wendy Handley	3

Company Secretary

Robert Marshall has been the Company Secretary of Tugun & District Financial Services Ltd for 6 months. Robert Marshall's qualifications and experience include being a Solicitor Supreme Court QLD & NSW (retired) and experience in commercial real estate and development.

Corporate governance

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

(a) The establishment of an audit committee to monitor governance and the implementation of the Franchise Agreement. Members of the audit committee are Ross Johnston, Colin Woodward, Robert Marshall;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

In relation to our audit of the financial report of Tugun & District Finances Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

James M Judge
Judge & Woodward Pty Ltd
Tweed Heads

22nd September 2008

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenues from ordinary activities	2	708,560	578,244
Employee benefits expense	3	334,360	291,336
Charitable donations and sponsorship		16,475	-
Depreciation and amortisation expense	3	46,081	40,667
Finance costs	3	1,030	4,243
Other expenses from ordinary activities		226,777	188,553
Profit/(loss) before income tax expense		**83,837**	**53,445**
Income tax expense	4	39,349	23,833
Profit/(loss) after income tax expense		**44,488**	**29,612**

Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	14c	8.9c
- diluted for profit / (loss) for the year	22	14c	8.9c
- dividends paid per share	21	-	4c

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	59,457	110
Receivables	7	65,205	60,981
Total current assets		**124,662**	**61,091**
Non-current assets			
Property, plant and equipment	8	150,370	156,014
Deferred income tax asset	4	49,268	88,617
Intangible assets	9	76,230	41,915
Total non-current assets		**275,868**	**286,546**
Total assets		**400,530**	**347,637**
Current liabilities			
Payables	10	35,643	17,038
Interest bearing liabilities	11	-	3,527
Current tax payable	4	nil	nil
Provisions	12	57,346	34,020
Total current liabilities		**92,989**	**54,585**
Non-current liabilities			
Interest bearing liabilities	11	-	-
Total non-current liabilities		-	-
Total liabilities		**92,989**	**54,585**
Net assets/(liabilities)		**307,541**	**293,052**
Equity			
Share capital	13	600,000	600,000
Retained earnings / (accumulated losses)	14	(292,459)	(306,948)
Total equity		**307,541**	**293,052**

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			
Cash receipts in the course of operations		712,228	590,084
Cash payments in the course of operations		541,293	483,775
Interest paid		1,030	4,243
Interest received		603	33
Income tax paid		-	-
Net cash flows from/(used in) operating activities	**15b**	**170,508**	**102,099**
Cash flows from investing activities			
Payment for intangible assets		68,909	-
Payments for property, plant and equipment		8,727	13,737
Net cash flows from/(used in) investing activities		**77,636**	**13,737**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Finance lease payments		-	-
Dividends provided for		30,000	24,000
Net cash flows from/(used in) financing activities		**30,000**	**24,000**
Net increase/(decrease) in cash held		**62,872**	**64,362**
Add opening cash brought forward		**(3,416)**	**(67,778)**
Closing cash carried forward	**15a**	**59,456**	**(3,416)**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
Share capital			
Ordinary shares			
Balance at start of year		600,000	600,000
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**600,000**	**600,000**
Retained earnings			
Balance at start of year		(306,947)	312,559
Profit/(loss) after income tax expense		44,488	29,612
Dividends provided for		30,000	24,000
Balance at end of year		**(292,459)**	**(306,947)**

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 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.

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.

Notes to the financial statements continued

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

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 and includes related on-costs.

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

Intangibles

Establishment costs 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.

Revenue

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

Notes to the financial statements continued

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

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.

Note 2. Revenue from ordinary activities

	2008 $	2007 $
Operating activities		
- services commissions	185,704	138,062
- other revenue	522,253	440,149
Total revenue from operating activities	**707,957**	**578,211**
Non-operating activities:		
- interest received	604	33
- other revenue	-	-
Total revenue from non-operating activities	**604**	**33**
Total revenue from ordinary activities	**708,560**	**578,244**

Note 3. Expenses

	2008 $	2007 $
Employee benefits expense		
- wages and salaries	286,677	261,083
- superannuation costs	23,376	22,250
- post-employment benefits (other than superannuation)	-	-
- workers' compensation costs	582	452
- other costs	23,725	7,551
	334,360	**291,336**
Depreciation of non-current assets:		
- plant and equipment	7,170	7,182
- buildings	7,201	7,485
Amortisation of non-current assets:		
- intangibles	34,593	26,000
	48,964	**40,667**
Finance Costs:		
- Interest paid	1,030	4,242
Bad debts	**1,336**	**3,158**

Note 4. Income tax expense

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

	2008 $	2007 $
Prima facie tax on profit/(loss) before income tax at 30%	**25,151**	**16,033**
Add tax effect of:		
- Non-deductible expenses	14,198	7,800
- Prior year tax losses not previously brought to account	-	-
- Future income tax benefit not brought to account	-	-
Current income tax expense	39,349	23,833
Origination and reversal of temporary differences	-	-
Deferred income tax expense	-	-
Income tax expense	39,349	23,833

Notes to the financial statements continued

	2008 $	2007 $

Note 4. Income tax expense (continued)

Tax liabilities

Current tax payable	Nil	Nil
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.	**49,268**	**88,617**

Note 5. Auditors' remuneration

Amounts received or due and receivable by
Judge & Woodward Pty Ltd

- Audit or review of the financial report of the Company	3,500	2,800
- Other services in relation to the Company	-	-
	3,500	**2,800**

Note 6. Cash assets

Cash at bank and on hand	**59,457**	**110**

Note 7. Receivables

GST receivable	-	-
Trade debtors	65,205	60,981
	65,205	**60,981**

Note 8. Property, plant and equipment

Land

Freehold land at cost	-	-
Buildings		
At cost	140,522	140,522
Less accumulated depreciation	26,106	18,905
	114,416	**121,617**

Notes to the financial statements continued

	2008 $	2007 $

Note 8. Property, plant and equipment (continued)

	2008 $	2007 $
Plant and equipment		
At cost	82,010	73,283
Less accumulated depreciation	46,056	38,886
	35,954	34,397
Total written down amount	**150,370**	**156,014**
Movements in carrying amounts		
Building		
Carrying amount at beginning of year	**121,617**	**128,799**
Additions	**-**	**-**
Disposals	**-**	**-**
Depreciation expense	7,201	7,182
Carrying amount at end of year	**114,416**	**121,617**
Plant and equipment		
Carrying amount at beginning of year	34,397	28,144
Additions	8,727	13,738
Disposals	-	-
Depreciation expense	7,170	7,485
Carrying amount at end of year	**35,954**	**34,397**

Note 9. Intangible assets

	2008 $	2007 $
Franchise fee		
At cost	128,909	60,000
Less accumulated amortisation	61,516	44,923
	67,393	**15,077**
Preliminary Expenses		
At cost	90,490	90,490
Less accumulated amortisation	81,653	63,653
	8,837	**26,837**
	76,230	**41,914**

Notes to the financial statements continued

	2008 $	2007 $

Note 10. Payables

	2008 $	2007 $
Trade creditors	35,643	17,037
Other creditors and accruals	-	-
	35,643	**17,037**

Note 11. Interest bearing liabilities

	2008 $	2007 $
Bank overdraft	-	3,526
Bank loan - secured	-	-
	-	**3,526**

Note 12. Provisions

	2008 $	2007 $
Provision for dividend	**30,000**	**24,000**
Provision for procedural error	9,000	-
Audit fees	3,500	2,800
Employee benefits	14,846	7,220
	57,346	**34,020**
Number of employees at year end	**6**	**6**

Note 13. Share capital

	2008 $	2007 $
600,000 Ordinary Shares fully paid of $1 each	600,000	600,000

Note 14. Retained earnings / (accumulated losses)

	2008 $	2007 $
Balance at the beginning of the financial year	(306,947)	(312,559)
Profit/(loss) after income tax	44,488	29,612
Dividends provided for	30,000	24,000
Balance at the end of the financial year	**(292,459)**	**(306,947)**

Notes to the financial statements continued

	2008 $	2007 $

Note 15. Cash flow statement

(a) Reconciliation of cash		
Cash assets	59,457	110
Bank overdraft	-	3,526
	59,457	**(3,416)**

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	83,837	53,445
Non cash items		
- Depreciation	14,371	14,667
- Amortisation	34,593	26,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,224)	(11,874)
- Increase (decrease) in payables	18,605	(4,491)
- Increase (decrease) in provisions	23,326	24,352
Net cashflows from/(used in) operating activities	**170,508**	**102,099**

Note 16. Director and related party disclosures

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

Allan Blenkins

Valentine Meynink

Robert Marshall

Colin Woodward

Ross Johnston

David Mitchell

Dr. Paul Hansen

Anthony Dick

Wendy Handley

No Director or related entity has entered into a material contract with the Company with the exception of Allan Blenkins who has an interest in the landlord Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

Directors' shareholdings	**2008**	**2007**
Allan Blenkins	-	-
Valentine Meynink	-	-
Robert Marshall	-	-
Colin Woodward	1,000	-
Ross Johnston	6,000	6,000
David Mitchell	-	-
Dr. Paul Hansen	16,000	16,000
Anthony Dick	11,500	11,500
Wendy Handley	5,000	5,000

There was no disposal of 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 were it provides banking services to its clients. The economic entity operates in one geographic area being Tugun, Gold Coast.

Note 20. Corporate information

Tugun & District Finances Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

482 Golden Four Drive, Tugun

	2008 $	2007 $
Note 21. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends - 5 cents per share (2007: 4 cents)	**30,000**	**24,000**
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - 0 cents per share (2007: 4 cents per share)	-	-
(ii) Previous year final		
Franked dividends - 0 cents per share (2007: 4 cents per share)	-	-
(c) Dividends proposed and not recognised as a liability		
Franked dividends - 0 cents per share (2007: 0 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	-	-
	-	**-**

The tax rate at which dividends have been franked is 30% (2007: 30%).

Dividends proposed will be franked at a rate of 30% (2007: 30%).

	2008 $	2007 $

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.	14c	8.9c
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).	14c	4.9c

The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	44,488	29,612
Weighted average number of ordinary shares for basic and diluted earnings per share	600,000	600,000

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	59,457	110
Receivables	65,205	60,981
	124,662	**61,091**

Note 23. Financial risk management (continued)

The Company's exposure to credit risk is limited to Australia by geographic area. The entire 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 $70,000 with Bendigo and Adelaide Bank Limited.

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

	Carrying amount $'000	Contractual cash flows $'000	1 year or less $'000	over 1 to 5 years $'000	more than 5 years $'000
30 June 2008					
Payables	35,643	(35,643)	(35,643)	-	-
Interest bearing liabilities	-	-	-	-	-
	35,643	**(35,643)**	**(35,643)**	**-**	-
30 June 2007					
Payables	17,038	(17,038)	(17,038)	-	-
Interest bearing liabilities	3,527	-	-	-	-
	20,565	**(17,038)**	**(17,038)**	**-**	-

Note 23. Financial risk management (continued)

(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.

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	-	-
	-	**-**

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.

Note 23. Financial risk management (continued)

(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.

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 Tugun & District Finances 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.

Allan Blenkins, Chairman

Signed at Tugun on the 22nd of September 2008.

Independent audit report

INDEPENDENT AUDIT REPORT
TUGUN & DISTRICT FINANCES LIMIITED

Scope

We have audited the financial report of Tugun & District Finances Limited, being the statements of Financial Position, Financial Performance and Cash flows and the Notes to the Financial Statements. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report 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 misstatements. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statement, 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 financial report is presented fairly in accordance with Australian Accounting Standards and other mandatory professional requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

In my opinion the financial report of Tugun & District Finances Limited are in accordance with:

(a) the corporation law, including:

(i) Giving a true and fair view of the company's financial position as at 30th June, 2008 and of the company's performance for the year ended on that date and,

(ii) Complying with Accounting Standards and the Corporations Regulations: and,

(b) Other mandatory professional reporting requirements.

JAMES M. JUDGE
Registered Auditor

DATED THIS 22ND DAY OF SEPTEMBER, 2008

Tugun **Community Bank®** Branch
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