

2007 annual report

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Chairman's report

For year ending 30 June 2007

It gives me a great deal of pleasure to present the Chairman's Report for 2006/2007 for Doncaster East Community Financial Services Limited.

In accepting the position of Chairman, I acknowledge the outstanding contribution of the previous Chairman, Jim Christie. Jim's leadership and vision for the future created a meaningful relationship between Board performance and Board culture that promoted trust, teamwork, candor and constructive conflict. Jim has continued to provide valuable service to the Board.

Whilst the previous years have shown significant development, the Board has endeavoured to maintain the growth by initiating a focus on marketing. Our marketing strategy included regular promotional advertisements in the local print media, a colourful presentation outside the **Community Bank®** branch to celebrate our fourth birthday in March and business breakfasts at Beaumonde.

The appointment of Mike Newman as Marketing and Public Relations Consultant has contributed greatly to the exposure of the **Community Bank®** branch. Mike's expertise and attention to detail has ensured the branch has always been presented in a very professional and assiduous manner.

Just after the close of the 2006 financial year, in fact in the first week in July, we were delighted to announce a very special century. A most significant goal was achieved with the announcement that the **Community Bank®** branch had reached \$100 million in total business. This milestone was achieved in just over four years.

Another outstanding achievement was when our **Community Bank®** branch was awarded the Regional Branch of the Year, in our region of 12 branches. The key facts in achieving this award were:

- \$16.379 million in total growth (113 per cent budget)
- 457 new customers

The financial results are extremely pleasing and special thanks must go to the Finance Committee led by Darryl Brown, Company Secretary Erica Mounter and Treasurer Nicky White.

The profit for DECFSL after provision for income tax was \$139,669. This was an increase of 38 per cent on the year-ended figures in 2006.

The Company's healthy growth in business volumes has translated into effective development in earnings. Gross income was \$793,703 – an increase of 24 per cent over last year's income of \$638,128.

Expenses totaled \$590,233 compared to last year's expenses of \$481,692, an increase of 22 per cent. An increase in marketing and partnerships with the local community was a reason behind the increase in expenses.

Directors are very pleased to announce a full year profit (before tax) of \$203,470. This compares very favourably showing an increase of 30 per cent on the previous year's tax profit of \$156,436.

Following the Company's strong performance, the Directors have announced payment of a dividend of 10.5 cents per share unfranked. The dividend will be paid in November 2007.

Chairman's report continued

The community focus of the branch and positive benefit it brings to the local community is evident - the branch has allocated thousands of dollars to a range of local not for profit organisations.

In the last year, a total of \$40,067 was paid to 27 community organisations. This increased by 82 per cent on the previous year.

Those organisations who we were pleased to be able to partner with included many community service groups, sports clubs, aged care, schools and local festivals.

The 2007/08 financial year will see many new challenges but the Directors look forward to those with much enthusiasm. One of the new initiatives we are looking at developing is to consider a new branch in Manningham. This new development will certainly increase the exposure and growth of the Company.

Another goal for the Board is to nurture and appoint three more Directors.

The continued strong growth of the Company over the past financial year has been thanks to a team effort. Recognition and thanks must go to a very committed and diligent Board of Directors - Ray Barrington, Darryl Brown, Jim Christie, Erica Mounter and Trevor Waring. Special thanks must also be given to our Treasurer Nicky White who has done a wonderful job.

Whilst the Board of Directors have contributed greatly to the success of the Company, the outstanding performance by Manager Paul Thompson and his team must be formally recognised. They are of course the frontline people to our shareholders and customers. The friendliness, expertise and competence of Paul and his wonderful team enhances the high level of respect the **Community Bank**® branch holds in the city of Manningham.

Our branch was opened after receiving fabulous support from the Manningham community and is one of the fastest growing branches in the **Community Bank**® network.

And as our business grows, so will our community support.

To be recognised as Manningham's most admired,
successful and community focused financial institution
achieving superior customer satisfaction and supporting
worthwhile community ventures.



Ray Lord
Chairman

Manager's report

For year ending 30 June 2007

Wow, four years young and what an amazing story our **Community Bank®** branch has to tell and be proud of.

The support we have continued to receive from within Manningham community since opening our doors in March 2003 is highlighted by the achievements we have consistently recorded and I am confident we will continue to record.

Last year I reported to you that the banking business as at 30 June 2006 (deposits and loans) totalled \$81.92 million and that we held over 3,800 accounts. The year's growth of \$17.38 million again placed us in the top 10 **Community Bank®** branches Australia wide.

Total business has since grown to \$99.3 million as at 30 June 2007 with more than 4,460 accounts. More pleasing was that 457 new customers decided to join us during the year.

Since 30 June, your **Community Bank®** branch has achieved a significant milestone - \$100 million in total business. We are only the 10th **Community Bank®** branch from over 200 **Community Bank®** branches in Australia to reach that coveted \$100 million mark.

In fact we were the second quickest **Community Bank®** Branch to achieve this level of business – again a truly remarkable effort.

I have said in the past that our community is to be applauded for the way they have supported our **Community Bank®** branch and in making the objectives of the stakeholders a reality.

I would like to acknowledge the support and hard work of my team, Cathy Black, Lisa Jones, Elise Chan, and Sally Trigg (who joined us in January 2007). To Susan Scroop and Anna Plane who have both since left, thank you also for your efforts. The staff continue to approach their roles with diligence, at all times responding positively to the needs of the customers and the community.

The community focus of the branch and positive benefit it brings to the local community is evident. As highlighted in the Chairman's report, the branch has allocated thousands of dollars to a range of local not for profit organisations.

As our business grows, so will our community support.

Spreading the word still remains a key phrase. Our existing customers have been instrumental in referring new business to our branch, and it is gratifying to see the confidence of our customers in helping to create our successful branch.

I again ask that you all continue to play your part in the growth of our branch by spreading the word about the very personal and professional banking service provided by your **Community Bank®** branch.



Paul Thompson
Manager

Sponsorship & marketing report

For year ending 30 June 2007

Sponsorship

An increase in our business meant an increase in the amount of funds available to the community by way of sponsorships, and the past year saw \$39,877 distributed among 27 diverse community organisations. The total amount returned to the community since the Branch opened reached \$69,878.



Seminars

Two well attended 'breakfast seminars' were organised during the year with the active support and involvement of the Bendigo Bank Limited.



Sponsorship funds and opportunities available to community organisations - October 2006. Past Chairman of the Board, Jim Christie, conveys how everyone benefits.



Making sense of the new superannuation changes - May 2007. Bendigo Bank Financial Planner Rob Baker-Smith explains it all.

STOP PRESS REGIONAL BRANCH OF THE YEAR

Advertising

In the April/June quarter of the financial year a comprehensive advertising campaign was established with the Manningham Leader; and quarter-page full-colour advertisements and paid 'advertorials' appeared for a range of bank services, products, and the Superannuation seminar in May.



Public Relations

Fourth birthday celebrations in March '07.

Everyone enjoyed the occasion outside the branch in Jackson Court Shopping Centre on a busy Saturday morning.



Prizes to be won, give-away items, a 'trad' jazz band and the DECFSL Board of Directors chatting to shoppers.



Directors' report

For year ending 30 June 2007

Your Directors submit the financial report of the Company for the financial year ended 30 June 2007.

Directors

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

James Douglas Christie RFD

Deputy Chairman

Age: 63

Occupation: Investor

Experience and expertise:

James brings a wealth of experience from his former 38 year career as a senior executive in the retail banking sector, both in Australia and overseas. He currently works as a consultant to Bendigo Bank mentoring both new and established **Community Bank®** Companies. James served as Lieutenant Colonel in the Australian Army Reserve and is a Fellow of both the Australian Institute of Banking and Finance and the Australian Institute of Management.

Raymond Thomas Lord

Chairman

Age: 60

Occupation: Media Liaison Officer

Experience and expertise:

Raymond has thirty years experience in the sporting, community and service industries. He has significant community involvement with Horticultural Therapy, Community Radio, Children with Down Syndrome, Blind Sports Victoria, and other sporting clubs. His qualifications include a Graduate Diploma of Welfare Studies, Certificate of Business Studies (Administration & Management) and Justice of the Peace.

Raymond Bruce Barrington

Director

Age: 59

Occupation: Retail Florist

Experience and expertise:

Raymond has had 10 years banking and finance experience in ES&A and ANZ Bank. He has a wealth of experience in small business having been self employed in the family business for the past 20 years.

Erica Janice Mounter

Secretary

Age: 63

Occupation: Accountant

Experience and expertise:

Erica is a member of the Australian Society of Accountants. Having returned to study as a mature age student, Erica achieved a Bachelor of Business with an Accounting major. Erica is currently working part time and in her spare time assists both Life Education Victoria and Templestowe Retirement Village with their accounting needs.

Directors' report continued

Daryl Lindsay George Brown

Director

Age: 63

Occupation: Accountant

Experience and expertise:

Daryl is a Certified Practicing Accountant and principal of an accounting firm specialising in small business. He is also partner in a Mortgage Broking and Asset Finance Company.

Trevor Leigh Waring

Director

Age: 58

Occupation: Property Manager/Plantation

Developer

Experience and expertise:

Trevor spent seven years as a city Councilor before becoming Mayor in 1989-1990. His past experience includes drainage contracting and cleaning. He has a history of involvement in numerous community groups. Trevor is currently tackling the salinity issues faced by hardwood timber plantations in Central Victoria, Australia.

William Howard Larkin OAM

Director (Resigned 2nd November 2006)

Age: 73

Occupation: Retired

Experience and expertise:

Bill spent 16 years as an Executive Officer of the Australian Radiation Laboratory with the Commonwealth Department of Health. Bill was elected to Local Government as Councilor of the City of Doncaster and Templestowe 1979-1989 and Mayor from 1983-1984, 1988-1989. He was elected Councilor to Manningham City Council in 1977 to current and Mayor in 2004. He is also Chairman of the Manningham Centre Association (Aged Care facilities) with \$16mn in Council owned assets and \$7m annual turnover under management.

Linda Susan Linmeiers

Director (Resigned 25th January 2007)

Age: 56

Occupation: Licenses Real Estate Agent

Experience and expertise:

Linda is the co-owner and Managing Director of Parkes Property (formerly Peter Parkes Real Estate) since 1982. She is a member of the Real Estate Institute of Victoria and has served as Vice President of the Eastern Branch and an elected delegate to the members council of the R.E.I.V. from 1997-1999. Linda has a wealth of experience in Marketing and small business management in the Manningham Municipality. Due to an increase in her workload Linda regrettably resigned in January 2007.

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

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

Company Secretary

The Company Secretary is Erica Janice Mounter. Erica was unanimously appointed as Company Secretary on 23 November 2006. Erica is an original member of the steering committee, who previously fulfilled the role of Treasurer. Erica, a recipient of the 2007 Menzies Community Australia Day Awards, is a community spirited person who gives freely of her time and skills for the benefit of the local community.

Directors' report continued

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating community banking 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 2007	Year ended 30 June 2006
\$	\$
139,669	100,874

Remuneration report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Executives

Remuneration package paid to the Senior Manager of the Company for the year ended 30 June 2007 was in the range \$85,000 to \$95,000.

Dividends	Cents	\$'000
Final dividends recommended:	10.5	68,251
Dividends paid in the year:		
- As recommended in the prior year report	7.5	48,751

The Directors resolved on 6 September 2007 to pay a dividend of 10.5 cents to ordinary shareholders. The date of payment of the dividend has not yet been determined.

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.

Directors' report continued

Likely developments

The Company will continue its policy of facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

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
James Douglas Christie RFD	11	7
Raymond Thomas Lord	11	10
Raymond Bruce Barrington	11	10
Erica Janice Mounter	11	9
Daryl Lindsay George Brown	11	10
Trevor Leigh Waring	11	9
Linda Susan Linmeiers (Resigned January 2007)	5	4
William Howard Larkin OAM (Resigned AGM 2006)	4	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 11.

Signed in accordance with a resolution of the Board of Directors at Doncaster East, Victoria on 12 September 2007.



Raymond Thomas Lord
Chairman



Erica Janice Mounter
Secretary

Auditor's independence declaration



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Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Doncaster East Community Financial Services Ltd the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor
Andrew Frewin & Stewart

Bendigo
12 September 2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	3	793,703	638,128
General administration		(80,849)	(64,761)
Salaries and employee benefits expense		(301,101)	(251,918)
Advertising and promotion		(70,701)	(24,281)
Occupancy and associated costs		(92,841)	(84,008)
Systems costs		(19,459)	(31,441)
Depreciation and amortisation expense	4	(25,281)	(25,283)
Borrowing cost expense		(1)	(1)
Profit before income tax expense/credit		203,470	156,436
Income tax credit	5	(63,801)	(55,562)
Profit for the period		139,669	100,874
Profit attributable to members of the entity		139,669	100,874
Earnings per share (cents per share)			
		c	c
- basic for profit for the year	18	21.49	15.52
- dividends paid per share		-	7.5

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash assets	6	366,378	192,268
Trade and other receivables	7	70,664	60,756
Total current assets		437,042	253,023
Non-current assets			
Property, plant and equipment	8	159,575	172,856
Intangibles	9	4,652	16,652
Deferred tax assets	10	-	50,341
Total non-current assets		164,227	239,849
Total assets		601,269	492,873
Current liabilities			
Trade and other payables	11	23,700	22,108
Provisions	12	22,835	69,160
Current tax liabilities	5	13,460	-
Total current liabilities		59,995	91,268
Total liabilities		59,995	91,268
Net assets		541,274	401,604
Equity			
Contributed equity	13	627,936	627,936
Accumulated losses	14	(86,662)	(226,331)
Total equity		541,274	401,604

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2007

	Note	2007 \$	2006 \$
Total equity at the beginning of the financial year		401,604	349,481
Net income/expense recognised directly in equity		-	-
Net profit for the year		139,669	100,874
Total recognised income & expenses for the year		541,273	450,355
Shares issued during period		-	-
Costs of issuing shares		-	-
Dividends provided for or paid		-	(48,751)
Total equity at the end of the financial year		541,273	401,604

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		770,806	632,708
Payments to suppliers and employees		(561,465)	(470,078)
Interest received		13,522	3,569
Interest paid		(1)	(1)
Net cash inflow from operating activities	15	222,862	166,198
Cash flows from financing activities			
Dividends paid		(48,751)	-
Net cash (outflow) from financing activities		(48,751)	-
Net increase in cash held		174,111	166,198
Cash at the beginning of the financial year		192,268	26,070
Cash at the end of the financial year	6(a)	366,379	192,268

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2007

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 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 financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

Cash

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

Comparative figures

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

Property, plant and equipment

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

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

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

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

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

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.

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

Earnings per share

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(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.

Notes to financial statements continued

	2007	2006
	\$	\$

Note 3. Revenue from ordinary activities

Operating activities:

- gross margin	481,892	379,629
- services commissions	161,862	129,690
- other revenue	136,427	125,241
Total revenue from operating activities	780,181	634,560

Non-operating activities:

- interest received	13,522	3,569
Total revenue from non-operating activities	13,522	3,569
Total revenues from ordinary activities	793,703	638,129

Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	7,749	7,751
- leasehold improvements	5,532	5,532

Amortisation of non-current assets:

- franchise agreement	12,000	12,000
	25,281	25,283

Finance costs:

- interest paid	1	-
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Notes to financial statements continued

	2007	2006
	\$	\$

Note 5. Income tax expense

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

Operating profit	203,470	156,436
Prima facie tax on profit from ordinary activities at 30%	61,041	46,931
Add tax effect of:		
- non-deductible expenses and temporary differences	2,761	777
- non-deductible expenses and temporary differences from previous years	-	7,854
Income tax expense on operating profit	63,802	55,562
Deferred tax asset carried forward	(13,460)	50,342

Note 6. Cash assets

Cash at bank and on hand	8,672	29,473
Term deposits	339,831	144,920
Security deposit	17,875	17,875
	366,378	192,268

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	8,672	29,473
Term deposits	339,831	144,920
Security deposit	17,875	17,875
	366,378	192,268

Note 7. Trade and other receivables

Trade receivables	62,971	48,848
Prepayments	6,392	5,634
Accrued income	1,301	-
	70,664	54,482

Notes to financial statements continued

	2007 \$	2006 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	85,464	85,464
Less accumulated depreciation	(28,577)	(20,828)
	56,887	64,636
Leasehold improvements		
At cost	130,588	130,588
Less accumulated depreciation	(27,900)	(22,368)
	102,688	108,220
Total written down amount	159,575	172,856
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	64,636	72,387
Additions	-	-
Items reclassified	-	-
Less: depreciation expense	(7,749)	(7,751)
Carrying amount at end	56,887	64,636
Leasehold improvements		
Carrying amount at beginning	108,220	113,752
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,532)	(5,532)
Carrying amount at end	102,688	108,220
Total written down amount	159,575	172,856

Notes to financial statements continued

	2007	2006
	\$	\$

Note 9. Intangible assets

Franchise fee

At cost	60,000	60,000
Less: accumulated amortisation	(55,348)	(43,348)
	4,652	16,652

Note 10. Deferred tax

Future income tax benefit

Tax losses - revenue	(13,460)	50,341
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Note 11. Trade and other payables

Trade creditors	-	22,108
	-	22,108

Note 12. Provisions

Employee provisions	22,835	20,409
Provision for dividend	-	48,751
	22,835	69,160
Number of employees at year end	6	6

Note 13. Contributed equity

650,011 Ordinary shares fully paid of \$1 each (2005: 650,011)	650,011	650,011
Less: equity raising expenses	(22,075)	(22,075)
	627,936	627,936

Notes to financial statements continued

	2007 \$	2006 \$
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(226,331)	(278,454)
Net Profit/(Loss) from ordinary activities after income tax	139,669	100,874
Dividend Paid or Provided	-	(48,751)
Balance at the end of the financial year	(86,662)	(226,331)

Note 15. Statement of cashflows

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

Profit/(loss) from ordinary activities after income tax	139,669	100,874
Non cash items:		
- depreciation	13,281	13,283
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(8,074)	(6,050)
- (increase)/decrease in other assets	63,801	55,337
- increase/(decrease) in payables	2,185	(5,897)
- increase/(decrease) in other liabilities	-	(3,349)
Net cashflows used in operating activities	222,862	169,547

Note 16. Auditors' remuneration

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

- audit & review services	4,000	3,500
- other services in relation to the Company	750	1,000
	4,750	4,500

Notes to financial statements continued

Note 17. Director and related party disclosures

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

James Douglas Christie

Raymond Thomas Lord

Raymond Bruce Barrington

Erica Janice Mounter

Daryl Lindsay George Brown

Trevor Leigh Waring

Linda Susan Linmeiers

William Howard Larkin

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	2007	2006
James Douglas Christie	11,501	11,501
Raymond Thomas Lord	3,501	3,501
Raymond Bruce Barrington	1,501	1,501
Erica Janice Mounter	6,001	6,001
Daryl Lindsay George Brown	2,000	2,000
Trevor Leigh Waring	5,001	5,001
Linda Susan Linmeiers	1,000	1,000
William Howard Larkin	1,001	1,001

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

Notes to financial statements continued

	2007	2006
	\$	\$

Note 18. Earnings per share

(a) Reconciliations of earnings used in calculating earnings per share

Profit attributable to the ordinary share holders of the Company used in calculating basic earnings per share	139,669	100,874
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	2007	2006
	Number	Number

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	650,011	650,011
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	2007	2006
	\$	\$

Note 19. Dividends paid or provided

(a) Ordinary shares

Final dividend for the year ended 30 June 2006 of 7.5 cents per fully paid share		
Unfranked - 7.5 cents per share	-	48,751

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 10.5 cents per fully paid ordinary share, (2006 - 7.5 cents) unfranked. The aggregate amount of the proposed dividend expected to be paid out of retained profits at 30 June 2007, but not recognised as a liability at year end, is	68,251	-
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Note 20. 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.

Notes to financial statements continued

Note 21. Contingent liabilities

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

Note 22. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Doncaster East, Victoria.

Note 23. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
900 Doncaster Road Doncaster East, VIC 3109	900 Doncaster Road Doncaster East, VIC 3109

Note 25. Financial instruments

Net fair values

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

Credit risk

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

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

Notes to financial statements continued

Note 25. Financial instruments (continued)

Interest rate risk

Financial instrument	Fixed interest rate maturing in											
	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non Interest bearing		Weighted average effective interest rate	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	8,622	29,473	-	-	-	-	-	-	-	-	0.05	0.05
Cash management	339,831	144,920	-	-	-	-	-	-	-	-	5.15	4.5
Term deposit	-	-	17,875	17,875	-	-	-	-	-	-	5.8	4.4
Dividend account	50	-	-	-	-	-	-	-	-	-	0.05	N/A
Receivables	-	-	-	-	-	-	-	-	70,664	60,756	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	23,301	22,108	N/A	N/A

Directors' declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

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



Raymond Thomas Lord
Chairman



Erica Janice Mounter
Secretary

Signed on 12 September 2007.

Independent audit report



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ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Doncaster East Community Financial Services Ltd

We have audited the accompanying financial report of Doncaster East Community Financial Services Ltd which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

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 so that 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.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers internal control 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 Auditor's Opinion

In our opinion, the financial report of Doncaster East Community Financial Services Ltd is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Doncaster East Community Financial Services Ltd as of 30 June 2007, and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.


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

Dated this 12th day of September 2007

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 12 September 2007, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	135
1,001 to 5,000	126
5,001 to 10,000	9
10,001 to 100,000	2
100,001 and over	0
Total shareholders	272

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 3 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders.

Shareholder	Number of shares	Percentage of capital
Mr Richard E Thorne	19000	2.92
J & N Kent	15000	2.31
J D Christie	10001	1.54
J A Tutty	10000	1.54
R Breadmore	10000	1.54
G & M Pauley	7000	1.08
G Pauley	7000	1.08
T & L Edwards	5500	0.85
T L Waring	5001	0.77
J Walker Howard-Wright	5000	0.77
	93,502	14

BSX report continued

Registered office and principal administrative office

The registered office of the Company is located at:

900 Doncaster Road
Doncaster East, VIC 3109
Phone: (03) 9840 2028

The principal administrative office of the Company is located at:

900 Doncaster Road
Doncaster East, VIC 3109
Phone: (03) 9840 2028

Security register

The security register (share register) is kept at:

Computershare - 452 Johnston Street
Abbotsford, VIC 3067
Phone: 1300 137 328

Company Secretary

Erica Mounter has been the Company Secretary of Doncaster East Community Financial Services Ltd for 1 year. Erica Mounter has a Batchelor of Business Accounting and has worked in the Accounting field for 30 years

Corporate governance

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

- (a) The establishment of an audit committee. Members of the audit committee are D Brown & E Mounter
- (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.

Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.



Doncaster East **Community Bank**[®] Branch
900 Doncaster Rd, East Doncaster, VIC 3109
Phone: (03) 9840 2028 Fax: (03) 9840 2162

Franchisee: Doncaster East Community Financial Services Ltd
900 Doncaster Rd, East Doncaster, VIC 3109
ABN 69 101 174 270

www.bendigobank.com.au
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR7056) (09/07)