



2007 annual report

Laverton & Altona Meadows, Altona and Point Cook
Community Bank® branches of Bendigo Bank

Contents

Chairman's report	2-3
Manager's report	4-5
Corporate governance statement	6-7
Directors' report	8-13
Auditor's independence declaration	14
Financial statements	15-18
Notes to the financial statements	19-27
Directors' declaration	28
Independent audit report	29-30
BSX report	31-32

Chairman's report

For year ending 30 June 2007

As you will see from the attached financial results, this report signifies the progress of our Company in terms of solid growth. Who would have imagined that within seven years of opening the Laverton branch we would have \$180 million in balances with over 15,000 accounts?

As Directors, in partnership with the Bendigo Bank, we offered the community an opportunity to address the concerns created by the withdrawal of banking services.

It is community minded people (our shareholders) who demonstrated through positive actions what could be achieved if the community stood as one.

Effective communication works both ways and we welcome feedback from our shareholders on ways we can improve, or simply to let us know that we are heading in the right direction.

During the past seven years for Laverton, five years for Altona and two years for Point Cook, our branches have developed and are today considered to play a vital role in our community.

I take this opportunity on behalf of the Board of Directors to thank all our staff for the tremendous job they do. Without our competent cheerful staff, we wouldn't be as successful as we are. The Board is confident that by continuing to deliver the high standard of service our customers are now accustomed to, our value within the community will continue to increase.

The last 12 months have been very busy with the launch of the Point Cook branch, Bayside Festival, Christmas by the Lake, assisting with the Altona Beach Market, and the sponsorship of various sporting clubs and community groups.

We are proud to advise that our Company has contributed in excess of \$100,000 to our communities through these activities.

Additionally, we have committed to the "Altona, Altona Meadows, Laverton and Point Cook Community Grants Program" for the second year running. This year our Company contributed \$40,000 together with the Community Enterprise Foundation to community groups, enabling the development and enhancement to our local communities.

We are very proud of our achievements to date and are mindful of the importance you, the shareholders, have played by providing initial start up capital.

Perhaps, just as importantly, you are also a customer and continue to support us by taking up the banking and financial services the branches can offer you, your family and friends.

As our Company expands, it has become increasingly necessary for our Directors to increase their knowledge and skill level to enable us to take the next step with confidence.

Over the past 12 months, Directors have attended a strategic planning meeting, regional conferences, the Bendigo Bank National Conference and Director development programs to increase their knowledge and skills.

Chairman's report continued

The Board of Directors works closely with Bendigo Bank staff. Representatives attend Board meetings from time to time and their input is most helpful and appreciated.

I would like to take this opportunity to thank my fellow Directors for their contribution and support during the year. Without their support this Company would not run as effectively as it has been.

In order for **Community Bank**® branches to continue to exist in the community, we still need to encourage more people to use our bank branches and to utilise all the services we offer for both personal and business use.

I look forward to meeting with shareholders at the Annual General Meeting.

Kind regards

A handwritten signature in black ink, appearing to read 'H. DaSilva', with a stylized flourish at the end.

Henry DaSilva
Chairman

Manager's report

For year ending 30 June 2007

Hello to everyone. This is the seventh Annual report I will have written. This year I am writing my report in anticipation of the Annual **Community Bank®** conference in Bendigo next week.

I say anticipation as these yearly get togethers are an excellent reminder of how far we have come. I was certainly reminded of this after attending last year's Annual **Community Bank®** Conference. This was the seventh such conference I have attended and was particularly relevant for our **Community Bank®** Company as our Laverton Youth Foundation was announced by then State Treasurer John Brumby.

At the conference, I was struck by the growth and development evident in the Bendigo Bank staff, many who I only see at these Annual Conferences. Seeing these individuals, some younger, some older, some very senior and many just starting out on their careers, standing up there on stage with John Brumby, it was evident how far they had come as individuals in those six years.

From humble beginnings just over seven years ago, on that cold, wet and windy Laverton winter's night when then Premier Steve Bracks officially opened our first branch, we've opened two more branches. We manage more than 15,000 accounts and have \$180 million in balances under management. Our employee numbers have also grown from five to 17. I know that I personally have developed to a point that would once have been considered out of my comfort zone, and I also know many of our staff have too!

A **Community Bank®** branch obviously operates within a community. I would like to reflect on what our three communities are for a moment.

Laverton in particular was in a fairly sorry state six years ago. But look at it now. And if you go further and look at the plans for Laverton and the district, the focus the State Government is placing on the area, with funds and resources, I'm sure you'll agree that things are turning around.

The same can be said for Altona where four years ago there was a 30-40 per cent vacancy rate in the buildings in that precinct. Try and rent a property now - it is a restaurant and dining area rivaling Williamstown.

Of course I'm not suggesting **Community Bank®** branches opening in these areas were the sole reason for their re-birth, but I can say they have been a significant contributing factor.

Of course we look forward to a similar input in the Point Cook area with our latest branch.

Being a **Community Bank®** branch means we are able to get closer to our customers and build strong relationships. Sadly with some 13,000 customers I can't say I know them all, but hopefully everyone of our customers has managed to build a relationship with other staff, whether it be counter staff, or management.

In seven years I have been able to build very strong relationships with many of our customers, both individuals and businesses, and I can confidently say that the vast majority have also grown in the past seven years, and hopefully our banking relationship has helped.

Manager's report continued

Let's not forget our tireless and hard working Board Members, who I must say deserve much acknowledgement and appreciation. Having been involved with these Directors since the beginning, I too have seen them develop, again, not just as individuals but also as a cohesive body and I am probably most aware of the time and effort they contribute. So, as I do every year, thank you.

I should mention our shareholders, however, I hope they come under the customer category too. A sincere thank you for starting this. I hope you feel, on reflection, you have developed and grown, both personally and financially in the past seven years and I again thank you - the things I talk about in this report would not have happened without your valuable input.

Of course I should mention that we offer everything that any other bank can and I must ask my perennial question - "Why isn't everyone in our community banking with their **Community Bank®** branch?"

Being a **Community Bank®** branch means we offer more than just banking services to our community – we offer community benefit assisting in bringing about positive change and development to our areas.

The Laverton Youth Foundation and "Push for Pink" initiative are just two recent examples.

In summary it has been an extremely exciting seven years and I look forward to another exciting year.



John Dawson
Senior Manager

Corporate governance statement

For year ending 30 June 2007

The Board is comprised entirely of non executive independent Directors. The skills experience and composition of the Board is detailed in the Director's report. Details of the Director's shareholdings, their remuneration and any transactions which they have conducted with the Company are included in the Directors Report and Notes to the Financial Statements.

The Board has committed to a high standard of corporate governance, financial reporting and integrity throughout the Company's operations. The following portfolios have been established as subcommittees to assist and advise the Board.

- Corporate Governance
- Audit
- Finance and Asset Management
- Human Resources
- Marketing and Business Development
- Sponsorship and Promotions

Independent professional advice

Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the Company.

Identifying and managing business risks

The Board regularly monitors the operational and financial performance of the Company against budget and other key performance measures. The Board also receives advice on areas of operational and financial risks, and develops strategies in conjunction with management, to mitigate those risks.

Communication with shareholders

The Board of Directors aims to ensue that shareholders, on behalf of whom they act, are informed of all major developments affecting the Company's activities and its state of affairs, including information necessary to assess the performance of the Directors.

Corporate governance statement continued

Communication with shareholders is achieved through the distribution of the following information:

- The annual report distributed to all shareholders
- The Annual General Meeting to obtain shareholder approval for Board action as appropriate
- Announcements on the Bendigo Stock Exchange (BSX) website www.bsx.com.au
- Regular shareholder newsletter.

The Board strives to ensure that Company announcements via the BSX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner. The Board has appointed the Corporate Governance Committee to be responsible for the disclosure processes of the BSX.

Directors' report

For year ending 30 June 2007

The Directors present their report, together with the financial statements of the Hobson's Bay Community Financial Services Ltd for the year ended 30 June 2007.

Directors

The Directors of the Company at any time during the financial year are:

H Da Silva	M S Pernar	W M Gray	F J Porter
G Inserra	B J Cahoon	A D Shanahan	
R R Quail	G J Murdoch	M A Boyd	

Principal activities

During the year the Company continued to operate the Laverton / Altona Meadows **Community Bank®** Branch, Altona **Community Bank®** Branch and Point Cook Sub Branch with the support of the Bendigo Bank Ltd.

Operating results

The Laverton Branch made a net profit for the year of \$325,660 (2006 \$345,369). The Altona Branch made a net profit for the year of \$90,293. (2006 \$73,236) The Point Cook Branch made a net loss for the year of (\$197,134) (2006 (\$225,830)) The overall net profit of the Company after providing for income tax was \$218,819 (2006 \$192,775).

Dividends

Dividends paid or declared for payment are as follows:

Ordinary dividend paid on 8 December 2006, as recommended

in last year's report	\$102,500
-----------------------	-----------

The Directors have recommended payment of a dividend of 9 cents per share	\$126,282
---	-----------

Review of operations

The net assets of the Company have increased by \$368,819 from 01 July 2006 to \$1,324,431 as at 30 June 2007.

The Company has continued to grow with assets under management now exceeding \$179 million at the date of this report.

Significant changes in state of affairs

On 28 February 2007, 150,000 \$1 shares were issued in a public float to fund the opening of the Point Cook **Community Bank®** Branch. On 1 March, 250,625 bonus shares were issued.

Directors' report continued

After balance date events

No other matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

Future developments

The Company will continue to work towards its budget targets for the three branches at Laverton, Altona and Point Cook.

Environmental regulations

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Information on Directors

Mr H DaSilva

Chairperson

Appointed Director 18 February 2000. Original Steering Committee member. He is a local businessman and owner of the local Ray White Real Estate office.

Mr M S Pernar

Secretary

Appointed Director 18 February 2000. Original Steering Committee member. He is into his seventh year as Manager of Laverton Community Centre. Involved in many local groups.

Mr W M Gray

Treasurer

Appointed 18 February 2000. Original Steering Committee member. Ex-naval Officer, local resident who now works for IBM.

Mr G Inserra (OAM)

Appointed Director on 18 February 2000. Original Steering Committee member and local resident. He is also a respected community worker with membership of numerous organisations. Recently awarded OAM.

Mr B J Cahoon

Appointed Director 18 February 2000. Original Steering Committee member. He is a local resident and part owner of the Double C Jeanery, a local institution.

Mr G J Murdoch (OAM)

Appointed Director at 2001 AGM. Retired school principal, Councillor and former Mayor of Hobsons Bay. Recently awarded OAM.

Directors' report continued

Mr F J Porter

Appointed Director at 2001 AGM. Many years involvement with Hobsons Bay Council. Justice of the Peace.

A D Shanahan

Appointed Director at 2001 AGM. Former clothing store proprietor, former accountant and current member of Rotary.

Mr R R Quail

Appointed 29 November 2005.

Appointed Director at 2005 AGM. I.T. consultant. Business owner for thirteen years. Involvement in community service.

Mr M A Boyd

Appointed 29 November 2005.

Appointed Director at 2005 AGM. Restaurateur. Business owner for eighteen years. Inaugural Chairperson for Hobsons Bay Community Financial Services Ltd.

The Directors and their associates have the following shares in the Company as at the 30 June 2007

Director	Associates		Total
Henry DaSilva	2,626		2,626
Wayne Gray	2,626	7,966	10,592
Denis Shanahan	625		625
Michael Boyd	2,346		2,346
Michael Pernar	1,399		1,399
Robert Quail	450		450
Frank Porter	4,250	22,688	26,938
Bruce Cahoon	10,376		10,376
Joe Inserra	1	6,563	6,564
Graeme Murdoch	1,250		1,250

Directors' report continued

Directors meetings

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. During the financial year, 11 meetings of Directors were held. Attendances were:

	Eligible to attend	Number attended
Mr H DaSilva (Chairperson)	11	11
Mr M S Pernar (Secretary)	11	10
Mr F J Porter	11	10
Mr G Inserra	11	11
Mr B J Cahoon	11	11
Mr W M Gray (Treasurer)	11	8
Mr G J Murdoch	11	9
Mr AD Shanahan	11	11
Mr R R Quail	11	11
Mr M A Boyd	11	11

Portfolio meetings

Meetings commenced in February 07

	Audit Portfolio	Finance Portfolio	Sponsorships and Donations Portfolio	Marketing and Business Development Portfolio	Corporate Governance Portfolio	Human Resources Portfolio	Charitable Trusts Advisory Committee
Total meetings held	3	10	9	10	2	8	2
Henry Da Silva			1	7			
Michael Pernar	3				2		
Wayne Gray	3	10					
Denis Shanahan	3	8		10	2		
Graeme Murdoch			7	6			2
Guiseppe Inserra			8				2
Bruce Cahoon			8				
Frank Porter				8		8	
Michael Boyd				10	2		
Robert Quail			8	7			2

Directors' report continued

Remuneration report

Total remuneration of Directors	2007	2006
Henry Da Silva	\$3,060.00	\$3,000.00
Michael Pernar	\$3,060.00	\$3,000.00
Wayne Gray	\$3,060.00	\$3,000.00
Frank Porter	\$3,060.00	\$3,000.00
Denis Shanahan	\$2,040.00	\$2,000.00
Graeme Murdoch	\$2,040.00	\$2,000.00
Guiseppe Inserra	\$2,040.00	\$2,000.00
Bruce Cahoon	\$2,040.00	\$2,000.00
Michael Boyd	\$2,040.00	\$...700.00
Robert Quail	\$1,040.00	\$...700.00

The Chairman, Company Secretary, Treasurer and staffing Director were each paid \$3,060. The other Directors were paid at the rate of \$2,040 per annum. The Company does not pay Directors salaries and there are no performance conditions placed on Director's remuneration. Director's remuneration is set by the shareholders at the AGM.

Directors' and Auditors' insurance and indemnification

The Company has paid premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of a Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The Company has not during or since the end of, the financial year, in respect of any person who is or has been an Auditor of the Company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred, including costs and expenses in successfully defending legal proceedings, or
- Paid or agreed to pay a premium in respect of a contract insuring against a liability incurred for the costs or expenses to defend legal proceedings.

Audit services

The Company's Auditor has not provided any non audit services during the year.

Directors' report continued

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is included on page 14 of the report.

Signed in accordance with a resolution of the Board of Directors.



Henry DaSilva
Director



Michael Stephen Pernar
Director

Dated 27 September 2007.

Auditor's independence declaration

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A.C.N. 091 661 166

AUDITOR'S INDEPENDENCE DECLARATION

I declare that to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

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

Armstrong Partners



David Armstrong
Armstrong Partners
Melbourne, 28 September 2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	2	1,861,390	1,542,014
Amortisation of franchise fee	3	(8,510)	(24,830)
Amortisation of leased assets	3	(3,122)	(3,122)
Depreciation of furniture & equipment	3	(38,394)	(33,516)
Employment expenses		(640,640)	(593,879)
Other expenses from ordinary activities		(855,291)	(601,445)
Total expenses from ordinary activities		(1,545,957)	(1,256,792)
Profit/(loss) from ordinary activities before income tax		315,433	285,222
Income tax revenue/(expenses) relating to ordinary activities	5	(96,614)	(92,447)
Profit (loss) from ordinary activities after income tax		218,819	192,775
Profit/(loss) attributable to extraordinary items			
Net profit/(loss) attributable to members		218,819	192,775
Retained profits/(losses) at the beginning of the financial year	2	57,865	(32,410)
Total available for appropriation/(deficiency)		276,684	160,365
Dividends recognised as a liability	16	(126,282)	(102,500)
Retained profits/(deficit) at the end of the financial year		150,402	57,865
Total retained profits/(deficit) at the end of the financial year		150,402	57,865
Overall operations			
Basic & diluted earnings per share (cents per share)	10	15.59	19.23

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	927,132	664,169
Receivables	7	173,838	150,107
Other	8	10,008	8,019
Total current assets		1,110,978	822,295
Non-current assets			
Property, furniture and equipment	9	756,502	798,018
Deferred tax asset	11	37,798	38,219
Intangible assets	12	55,000	7,677
Total non-current assets		849,300	843,914
Total assets		1,960,278	1,666,209
Current liabilities			
Payables	13	135,785	117,232
Interest-bearing liabilities	14	-	6,948
Tax liabilities	15	(6,141)	(19,875)
Provisions	16	189,172	160,431
Total current liabilities		318,816	264,736
Non-current liabilities			
Provisions	16	89,360	79,305
Interest-bearing liabilities	14	208,805	221,408
Tax liabilities	15	18,866	18,866
Total non-current liabilities		317,031	319,579
Total liabilities		635,847	584,315
Net assets		1,324,431	1,081,894
Equity			
Issued capital	17	1,130,008	980,008
Retained profits/(accumulated losses)		150,402	57,865
Revaluation reserve		44,021	44,021
Total equity		1,324,431	1,081,894

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 Bendigo Bank Limited		1,772,250	1,476,573
Payments to suppliers and employees		(1,396,522)	(998,252)
Payments to share holders		(99,712)	(80,772)
Interest received		29,706	29,744
Interest and other costs of finance		(72,900)	(82,332)
Income tax paid		(108,514)	(164,577)
Net cash provided by (used in) operating activities	2	124,308	180,384
Cash flow from investing activities			
Purchases of property, plant & equipment		-	(37,034)
Payment of other debtor		-	40,026
Net cash provided by (used in) investing activities		-	2,992
Cash flow from financing activities			
Proceeds of issue of shares		150,000	-
Repayment of borrowings		(11,345)	(10,862)
Net cash provided by (used in) financing activities		138,655	(10,862)
Net increase (decrease) in cash held		262,963	172,514
Cash at the beginning of the year		664,169	491,655
Cash at the end of the year	1	927,132	664,169

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
--	------	------------	------------

Note 1. Reconciliation of cash

For the purpose 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.

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	293,085	212,508
Shares offer account	5,341	(200)
Term deposits	628,016	451,569
Cash on hand	690	292
	927,132	664,169

Note 2. Reconciliation of net cash provided by/ used in operating activities to net profit

Operating profit/(loss) after income tax	218,819	192,775
Depreciation	38,394	33,516
Amortisation of franchise fee	(47,323)	24,830
Amortisation of leased assets	3,122	3,122
Increase/(decrease) in provision for dividends	(99,712)	(80,771)
Increase/(decrease) in future income tax benefit	421	(8,000)
Increase/(decrease) in provision for income tax	(12,321)	(64,130)
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	(23,731)	(29,140)
(Increase) decrease in prepayments	(1,989)	3,964
Increase (decrease) in trade creditors and accruals	(11,891)	77,187
Increase (decrease) in other creditors	30,444	-
Increase (decrease) in lease liabilities	(8,204)	5,456
Increase (decrease) in employee entitlements	12,223	32,680
Increase (decrease) in sundry provisions	26,056	(11,105)
Net cash provided by operating activities	124,308	180,384

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2007

Note 1. Statement of accounting policies

The significant accounting policies adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. These accounting policies have been consistently applied, unless otherwise stated.

The Company has prepared the financial statements in accordance with all International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies set out below have been consistently applied to all years presented.

(b) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amounts of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Franchise revenue

Franchise revenue is recognised when the services are provided.

Interest income

Interest income is recognised when it accrues.

(c) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Notes to financial statements continued

Note 1. Statement of accounting policies (continued)

(c) Income tax (continued)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less where applicable any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a valuation by Landlink Property Group Pty Ltd, independent valuers dated 5 September 2006.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the amount recoverable from these assets.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that ownership of the assets will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments.

The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Dividends are brought to account in the profit and loss account when received.

Notes to financial statements continued

Note 1. Statement of accounting policies (continued)

(g) Franchise fee

The Franchise Fee is initially recorded at the amount, which the Franchisee paid the Franchisor. The Franchise Fee is amortised on a straight line basis over the life of the agreement which expires on 12 November 2007. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

(h) Employee entitlements

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

The Company contributes to a superannuation fund as required by law. Contributions are charged against income as they are made.

(i) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions and investments in money market instruments maturing within less than two months, net of bank overdrafts.

(j) Comparative figures

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

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods, or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(l) Receivables

Trade debtors

The Bendigo Bank Limited is the Company's only trade debtor. Accounts are settled every 30 days and no provision has been made for any portion of the amount due to be doubtful.

(m) 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Notes to financial statements continued

Note 1: Statement of accounting policies (continued)

(m) Goods and services tax (continued)

Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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 operating cash flows.

	2007	2006
	\$	\$

Note 2. Revenue

Operating activities:

Franchise income	1,831,684	1,512,270
Interest revenue	29,706	29,744
Other operating revenue:		
- Other income	-	-
Total revenue from ordinary activities	1,861,390	1,542,014

Note 3. Profit from ordinary activities

**Profit (loss) from ordinary activities before income tax
has been determined after:**

Charging as expense:

Amortisation of non-current assets:

- Franchise fee	8,510	24,830
- Leased assets	3,122	3,122
Total amortisation expenses	11,632	27,952

Bad and doubtful debts	35,703	6,556
Interest paid	19,451	19,415

Depreciation of non-current assets:

- Plant and equipment	38,394	33,516
-----------------------	--------	--------

Notes to financial statements continued

	2007	2006
	\$	\$

Note 4. Auditors' remuneration

Remuneration of the Auditor of the Company for:

Audit Services	9,102	11,040
Other services	nil	nil
	9,102	11,040

Note 5. Income tax

The prima facie tax payable on operating profit is reconciled to the income tax provided in the accounts as follows:

Operating profit/(loss) before income tax	315,433	285,222
Prima facie income tax payable on operating profit/(Loss) @ 30%	94,630	85,567
Add:		
Tax effect of:		
Fine	-	-
Amortisation of franchise fee	2,553	7,449
Capital works deduction	(569)	(569)
Income tax expense/(revenue) attributable to ordinary activities	96,614	92,447

Note 6. Cash assets

Bank accounts:

- Cash at bank	293,085	212,508
- Share offer account	5,341	(200)
- Term deposits	628,016	451,569
- Cash on hand	690	292
	927,132	664,169

Note 7. Receivables

Current

Trade debtors	173,838	150,107
----------------------	----------------	----------------

Notes to financial statements continued

	2007 \$	2006 \$
Note 8. Other assets		
Current		
Prepayments	10,008	8,019
Other debtors	-	-
	10,008	8,019

Note 9. Property, furniture and equipment

Land and buildings:

- At cost	429,000	429,000
	429,000	429,000

Furniture and equipment:

- At cost	552,383	552,383
- Less accumulated depreciation	(225,045)	(186,651)
	327,338	365,732

Leased assets:

- At cost	15,615	15,615
- Less accumulated amortisation	(15,451)	(12,329)
	164	3,286
	756,502	798,018

Note 10. Earnings per share

Earnings used to calculate basic EPS	218,819	192,775
Number of ordinary shares used to calculate basic EPS	1,403,133	1,002,508

Note 11. Deferred tax assets

Deferred Tax asset	(37,798)	(38,219)
The deferred tax asset is made up of the following estimated tax benefits:		
- timing differences	(37,798)	(38,219)
	(37,798)	(38,219)

Notes to financial statements continued

	2007	2006
	\$	\$

Note 12. Intangibles

Franchise fee:

- At cost	60,000	124,151
- Less accumulated amortisation	(5,000)	(116,474)
	55,000	7,677

Note 13. Payables

Current

Unsecured:

- Trade creditors	85,941	97,832
- Other creditors and accruals	49,844	19,400
Total current liabilities	135,785	117,232

Note 14. Interest-bearing liabilities

Current

Lease liability	-	6,948
-----------------	---	-------

Non-current

Lease liability	-	1,256
Bank loan	208,805	220,152
	208,805	221,408

Finance lease commitments payable

Not later than 1 year	-	7,452
Later than 1 year but not later than 5 years	-	1,340
Minimum lease payments	-	8,792
Less: future finance charges	-	(588)
	-	8,204

Notes to financial statements continued

	Note	2007 \$	2006 \$
Note 15. Tax liabilities			
Current			
Current tax liability		(36,709)	(24,388)
GST payable		23,240	4,513
Amounts withheld from salary and wages		7,328	-
		(6,141)	(19,875)
Non-current			
Deferred tax liability		18,866	18,866

Note 16. Provisions

Current			
Dividend	22	129,240	102,667
Employee entitlements		59,932	57,764
		189,172	160,431
Non-current			
Employee entitlements		89,360	79,305
Aggregate employee entitlements liability		149,292	137,069
Number of employees at end of year		13	14

Note 17. Issued capital

1,403,133 ordinary shares	1,130,008	980,008
(2006 1,002,508 ordinary shares)		

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholder meetings each member is entitled to one vote either when a poll is called, or otherwise each shareholder has one vote on a show of hands.

Notes to financial statements continued

	Note	2007 \$	2006 \$
--	------	------------	------------

Note 18. Related parties

The following payments were made to related parties during the financial year. All transactions are on normal commercial terms unless otherwise stated.

Bannister Glen Pty Ltd, of which Mr H. Da Silva is a Director for rental of the Altona premises. Bannister Glen Pty Ltd has not complied with a repayment schedule with the Company to repay the amount owed towards the fitout of the premises.		37,887	31,046
So 'n' So's Pty Ltd for office catering of which Mr Michael Boyd is a Director		1,648	684
Sanctuary Lakes Corporate Wear for the provision of sponsorship materials in which Mr Bruce Cahoon is the proprietor.		6,340	7,308

Note 19. Dividends

Provision for fully franked ordinary dividend of 1,403,133 @ 9 cents per share (2006: 1,002,508 @ 10 cents per share)	17	126,282	102,500
Unclaimed Dividends		2,958	167
		129,240	102,667

Note 20. Segment information

The Company operates predominantly in the financial services sector within Australia.

Directors' declaration

The Directors of the Company declare that:

1. The financial statements, notes and cashflow statement.
 - (a) comply with Accounting Standards and the Corporations Law; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and performance for the year ended on that date of the Company
2. The Chairman and Treasurer have each declared that:
 - a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporation Act 2001;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Henry DaSilva
Director



Michael Stephen Pernar
Director

Dated 27 September 2007.

Independent audit report

Armstrong Partners

CHARTERED ACCOUNTANTS

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
A. B. N. 39 091 661 166
INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**

Scope

We have audited the financial report of Hobson's Bay Community Financial Services Ltd which comprises the balance sheet as at 30 June 2007, the income statement and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the director's declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company 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 establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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 the 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the company'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 purposes of expressing an opinion on the effectiveness of the company'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Suite 21, Level 5, Sth Melbourne Vic 3205 Australia.

Ph: (61 3) 9695 5500. Fax: (61 3) 9696 7259.

Principals - David Armstrong, F.C.A. M.B.A. (Melb), Daniel Dubois C.A. Rod McKenzie C.A.

Armstrong Partners (Aust.) Pty Ltd. A.B.N. 32 088 038 831

Independent audit report continued

Armstrong Partners

Auditor's Opinion on the financial report

In our opinion:

- a. the financial report of Hobson's Bay Community Financial Services Ltd is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30th June 2007 and of their performance for the year ended on that date; and
 - ii. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the Directors report

In our opinion, the remuneration disclosures that are contained in the remuneration report in the Directors' report comply with Australian Accounting Standard AASB 124 Related Party Disclosures.

Armstrong Partners



David Armstrong
Partner
Chartered Accountants
Melbourne, 28 September 2007

BSX report

Substantial shareholders

Twenty largest shareholders

Ordinary shares

1.	Altona Sports Club	118,750
2.	Tino Ballan	60,550
3.	Fairlie Family Superannuation Fund	59,063
4.	Alfred William Pelns	56,250
5.	LJD Carpet Cleaning Super Fund	40,938
6.	Donald John Hallam	31,875
7.	Laverton Community Centre	26,250
8.	Frank Porter	22,688
9.	Felicity Reid	20,625
10.	Schembri Corporate Investments	20,000
11.	Olive May Dawson	19,688
12.	J & A Belani	19,688
13.	J Belani Pty Ltd	19,688
14.	Alexander Boicos	18,750
15.	KA BE Engineering & Design Super Fund	15,000
16.	Vivienne Marie Avison	13,125
17.	Laverton Medical centre	13,125
18.	Isobel Oldfield	13,125
19.	Gary Avison	13,125
20.	J & G Tullio	12,525

BSX report continued

Distribution of shareholders

The number of shareholders by size of holding is:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1000	287	139,439
1,001 - 5,000	190	401,463
5,001 - 10,000	25	174,529
10,001 - 100,000	24	568,952
100,001 and over	1	118,750
Total	527	1,403,133

There are 109 shareholders holding less than a marketable parcel of shares (500).

Location of share register

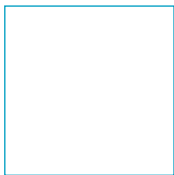
The share register is located at :

Altona Branch

64 Pier Street

Altona, VIC 3018

Telephone (03) 9398 8922



Altona **Community Bank**[®] Branch
64 Pier Street, Altona, VIC 3018
Phone: (03) 9398 8922 Fax: (03) 9398 8911

Laverton/Altona Meadows **Community Bank**[®] Branch
Shop 3, 28 Aviation Road, Laverton, VIC 3028
Phone: (03) 9369 8455 Fax: (03) 9369 8344

Point Cook **Community Bank**[®] Branch
Shop 24, Sanctuary Lakes Shopping Centre, 300 Point Cook Road, Point Cook, VIC 3030
Phone: (03) 9395 7724 Fax: (03) 9395 8842

Franchisee: Hobsons Bay Community Financial Services Limited
Shop 3, 28 Aviation Road, Laverton, VIC 3028
ABN 39 091 661 166

<http://www.hobsonsbaycommunity.com.au>
<http://www.wyndhamcommunity.com.au>

www.bendigobank.com.au
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR7015) (09/07)