

Inverloch & District
Financial Enterprises Limited
ABN 13 117 672 590



2007 annual report

Inverloch & District
Community Bank® Branch



Bendigo Bank

Contents

Chairman's report	2-3
Manager's report	4-5
Bendigo Bank Ltd report	6
Directors' report	7-11
Auditor's independence declaration	12
Financial statements	13-16
Notes to the financial statements	17-30
Directors' declaration	31
Independent audit report	32
BSX report	33-34

Chairman's report

For year ending 30 June 2007

Delivering on our promise

I extend a warm invitation to all shareholders to attend our Annual General Meeting which is to be held on Thursday, 22 November 2007 at the Inlet Hotel, Inverloch, at 7.00 pm.

On behalf of my fellow Directors I am pleased to present the second Annual Report of the Inverloch & District Financial Enterprises Ltd (The Company).

I would like to begin by thanking the communities in our region for their ongoing support. This support has resulted in an increase of deposit funds and loans under management from \$25 million to \$35 million, a 40 per cent increase in this financial year.

After only 15 months of operation, the Board believes it has delivered for shareholders, customers and the community on our promise to provide:

- A friendly professional branch of Bendigo Bank offering a full range of products and services.
- Economic benefits to our community generated by employing local staff and using local trade and service providers.
- Delivering grants, sponsorships and donations of more than \$12,000.

During the current financial year we will continue to build on our track record of delivering on our promise.

With monthly trading profits soon to be generated by the Company, your Directors are confident that the Company will grow generally in line with the original forecasts contained in the prospectus.

Introducing existing customers to the full range of Bendigo Bank products and services is an excellent way of growing our business but we also need to attract new customers. As a shareholder and stakeholder of the Company, it is to your advantage that you support the branch in every possible way, especially by transferring your accounts, if you have not already done so. It's a very easy process with little or no inconvenience. Our experienced staff are only too willing to explain the process.

In our Newsletter of March 2007, we announced with regret that we lost the valuable services of Leona Wardle, Janette McNair and Edward Walsh as Directors of the Company. Each of them had their own personal reason for resigning and we respect their decision.

In the same issue we also announced that Leanne du Plessis, Brian Dohnt and Ken Aly had joined the Board bringing with them valuable expertise in public relations, financial management and marketing/business development respectively. These three new Directors continue to make a valuable contribution.

In March 2007 we were pleased to welcome Gerard Lonergan as a member of our Business Development and Marketing Sub-Committee and thank him for his valuable contribution.

The anticipated merger of Bendigo Bank and the Adelaide Bank is expected to receive the required approval from Adelaide Bank shareholders at a meeting in November 2007. With increased financial strength, scale

Chairman's report continued

efficiency and funding flexibility, the merged group is better positioned to pursue expansion opportunities and invest in growth and continued opportunities.

In the meantime it's business as usual - our staff will continue to provide customers with the very best service and our Company remains committed to supporting our local communities.

We are proud of the working relationship we have with the Bendigo Bank, especially with the dedicated Gippsland Support Team so capably lead by its Regional Manager Russell Carrick.

Congratulations to our Manager Jackie Laurie and our staff Allison, Delia, Gabby and Megan. With all the changes in the banking industry it's been a tough year and thank you for the manner in which you have handled these challenges. The Board will continue to invest in our staff so as to better serve our customer's needs.

To my fellow Directors, thank you for your dedication and your voluntary contribution. To so capably perform the role of a Director of a public Company, as you all have, is not an easy task. Thank you.

I regret to inform you that I will be retiring from the Board at the close of this meeting. Recent illness and surgery have prompted me to review my priorities. I have decided that after dedicating five years to establishing a Bendigo Bank presence in Inverloch with as much passion and enthusiasm as I could muster, firstly as an on-line agent and secondly as foundation Chairman of the Steering Committee and **Community Bank®** Board, it is now time to spend more time with my family.

I would like to pay special tribute to my wife, Lois, for all her help and patience, especially over the three years we worked together in the Inverloch on-line Agency.

To my fellow Directors, thank you for electing me as your Chairman. I now know how James Hird felt when he announced his retirement. I loved the role of Chairman and more importantly, I love what we achieved together.

I look forward to seeing you all at the Annual General Meeting and being able to personally thank you for your support.



Terry Hall
Chairman

Manager's report

For year ending 30 June 2007

Our first full year of operation as the Inverloch & District **Community Bank**[®] Branch has gone in the blink of an eye. The business is growing and is continuing to meet budget expectations.

We have certainly had a busy first year with many “firsts” to celebrate. We relocated to our new premises in August 2006 and I am sure all our shareholders and customers would know where to find us with our distinctive signage on the branch here in Inverloch.

At our first Annual General Meeting (AGM) we saw the beginning of what **Community Bank**[®] is all about – contributing money back into our local community with over \$2,000 distributed to some of our local clubs, groups and organisations at the AGM.

Not long after, our Board approved our first significant contribution back into the community agreeing to a \$22,000 grant to Inverloch Primary School for completion of construction for the long awaited multi-purpose room.

My staff and I have settled into our roles and I would like to acknowledge the hard work and dedication from my team. A special thank you all - Supervisor Allison Drury, Customer Service Officers Megan King, Delia Perry, and our newest addition Gabby Whitford. I am sure many of you now know them on a first name basis.

A business like ours also relies on the expertise, knowledge and dedication that our Directors deliver. Once again to our Chairman and Directors, thank you for more of those unpaid hours. It's the many strategies that we have in place to drive the business forward and meet our objectives that are helping us to be as successful as we are already.

It is with the support of our shareholders, customers and the many people in our district that will grow the business and help us achieve bigger and better things for our community.

We are keen to develop close working relationships and I encourage all our shareholders to maximise their banking opportunities with us, whether we sit down (your place or mine) and discuss all of the products and services available from the branch. It may be that you need assistance with an insurance renewal, a mortgage, credit card or some investment advice. We are only too happy to help.

It is with some regret that we note our Chairman's intent to resign at the AGM. I would personally like to thank Terry for the huge amount of work that he did behind the scenes to get our **Community Bank**[®] branch up and running. He was Chairman of the initial steering committee, whilst at the same time built up the

Manager's report continued

Agency, and then became the first Chairman of the Board for our **Community Bank®** Company. He has worked tirelessly in order to see this venture get off the ground and become the success that it already is. It is now time for family, holidays and relaxation. I know Terry will keep a close eye on our progress and we couldn't have a better supporter of the Inverloch & District **Community Bank®** Branch.

A handwritten signature in black ink, appearing to read 'Jackie Laurie', with a large, stylized initial 'J'.

Jackie Laurie
Manager

Bendigo Bank Ltd report

For year ending 30 June 2007

As we approach the 10th anniversary of the **Community Bank**[®] network it is timely to reflect on what has been achieved. The opening of the first **Community Bank**[®] branches in Victoria's Wimmera in 1998 changed the Australian banking landscape – how significant this change has been is only now starting to become obvious.

Today, the **Community Bank**[®] brand is represented in every State and Territory of Australia, with the final frontier, the Northern Territory, falling with the opening of Coolalinga **Community Bank**[®] Branch in September 2006. Nine months later we were celebrating the opening of our 200th **Community Bank**[®] branch in the Victorian seaside community of Dromana.

When you take the time to list them, the official statistics are impressive:

- \$10 billion in combined banking business
- \$10 million in grants to community groups and projects
- \$7 million in dividends paid to shareholders
- 1000 **Community Bank**[®] branch staff

But perhaps what has been most significant during 2007 have been merger talks. Bendigo rejected a merger proposal from Bank of Queensland in April. Less than four months later, Bendigo Bank's Board unanimously supported a merger proposal with Adelaide Bank. The merger will be voted on by Adelaide Bank shareholders in late-2007.

Under the merged group, our unique **Community Bank**[®] model will continue to grow and prosper, and new Company-owned and **Community Bank**[®] branches will continue to open.

The Bendigo Bank brand will be retained, customers' accounts will not change and the same friendly faces will be at your local branch to provide for your banking needs. As a **Community Bank**[®] shareholder, you will notice no changes – you remain a shareholder of your local community Company.

Nationally, the merger will increase Bendigo Bank's network, delivering our customers access to 24 branches in South Australia and 90 ATMs. Over time, new products and services will follow.

Bendigo Bank participates in the development of community banking with an enormous sense of pride. We are indeed fortunate to be your partner and look forward to celebrating 10 years of community banking in 2008.



Russell Carrick
Gippsland Regional Manager
Bendigo Bank

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:

Terrence William Hall JP

Chairman

Age: 64

Business Proprietor & Company Director

Previous proprietor BBL Inverloch Agency

Former Shire President & Bank Manager

Interests in shares: 30,001

Andrew Neil Forster

Treasurer

Age: 60

Public Accountant

Accounting firm principal

Interests in shares: 50,001

Sybil Lynette Fowler

Director

Age: 61

Business Proprietor & Company Secretary

Primary School Teacher & School Librarian

Interests in shares: 26,001

John Frederick Payne

Director

Age: 56

Sales Manager

Former Caravan Park owner/operator

Interests in shares: 2,001

Alan Keith Gostelow

Secretary

Age: 64

Chief Executive Officer

Ex-Army Officer & Senior Manager of various businesses

Interests in shares: 501

David Maxwell Walsh

Director

Age: 47

Business Proprietor

Extensive business background in retail shops & hotels

Interests in shares: 30,001

Francis Barry McGarvey

Director

Age: 70

Retired

Former Primary Producer

Interests in shares: 2,001

Kenneth Mervyn Aly

Director (Appointed 27 November 2006)

Age: 60

Retired

Previous Vice President: Business Development & Acquisitions (SE Asia) for Ausplay, former Company MD.

Interests in shares: 10,000

Directors' report continued

Leanne du Plessis

Director (Appointed 18 January 2007)

Age: 43

Customer Services Officer

Extensive background in public Company.

Interests in shares: Nil

Brian Edward Dohnt

Director (Appointed 18 January 2007)

Age: 61

Retired

Previous General Manager of Defence Force Credit

Union and experienced across the industry.

Interests in shares: Nil

Leona Ursula Wardle

Director (Resigned 23 November 2006)

Age: 49

Registered Nurse

Interests in shares: 2,001

Edward James Walsh

Director (Resigned 23 November 2006)

Age: 65

Retired

Interests in shares: 501

Janette McNair

Director (Resigned 23 November 2006)

Age: 47

Speech Pathologist & Business Proprietor

Interests in shares: 2,001

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

Company Secretary

The Company Secretary is Alan Gostelow. Alan was appointed to the position of Secretary when the Company was formed on 22 December 2005. Alan is a Fellow of the Australian Institute of Company Directors and currently undertakes the Company Secretarial role for a Company Limited by Guarantee and was previously a Company Secretary for the Proprietary Limited Company.

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 loss of the Company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2007	30 June 2006
\$	\$
(60,707)	(98,778)

Directors' report continued

Remuneration report

All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

The Chairman, Terry Hall is the owner of the branch premises at 16c Williams Street. The amount of rent and outgoings paid in 2007 was: \$23,400 (2006: \$8,725).

The Treasurer, Andy Forster is the partner in the accounting firm, Forster and Clark Accountants, which provides accounting services for the Company. The amount of accounting fees paid to accounting firm in 2007 was: \$1,140 (2006: \$Nil).

No other 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.

Directors' report continued

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
Terrence William Hall JP	12	12
Alan Keith Gostelow	12	10
Andrew Neil Forster	12	9
David Maxwell Walsh	12	9
Sybil Lynette Fowler	12	7
Francis Barry McGarvey	12	4
John Frederick Payne	12	9
Kenneth Mervyn Aly (Appointed 27 November 2006)	8	2
Leanne du Plessis (Appointed 18 January 2007)	6	3
Brian Edward Dohnt (Appointed 18 January 2007)	6	2
Janette McNair (Resigned 23 November 2006)	4	1
Edward James Walsh (Resigned 23 November 2006)	4	3
Leona Ursula Wardle (Resigned 23 November 2006)	5	3

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.

Directors' report continued

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 12.

Signed in accordance with a resolution of the Board of Directors at Inverloch, Victoria on 11 September 2007.



Terrence William Hall
Chairman



Alan Keith Gostelow
Secretary

Auditor's independence declaration



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Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Inverloch & District Financial Enterprises Limited 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
11 September 2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	3	282,682	57,384
Salaries and employee benefits expense		(216,401)	(173,799)
Advertising and promotion expenses		(13,299)	(363)
Occupancy and associated costs		(39,827)	(8,609)
Systems costs		(23,208)	(1,480)
Depreciation and amortisation expense	4	(16,457)	-
General administration expenses		(63,162)	(15,999)
Loss before income tax credit		(89,672)	(142,866)
Income tax credit	5	28,965	44,088
Loss for the period		(60,707)	(98,778)
Loss attributable to members of the entity		(60,707)	(98,778)
Earnings per share (cents per share)		c	c
- basic for profit for the year	17	(8.09)	(13.17)

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	333,884	521,349
Trade and other receivables	7	8,355	26,033
Total current assets		342,239	547,382
Non-current assets			
Property, plant and equipment	8	118,545	-
Intangible assets	9	43,500	45,500
Deferred tax assets	10	73,053	44,088
Total non-current assets		235,098	89,588
Total assets		577,337	636,970
Current liabilities			
Trade and other payables	11	7,275	6,201
Total current liabilities		7,275	6,201
Total liabilities		7,275	6,201
Net assets		570,062	630,769
Equity			
Contributed equity	12	729,547	729,547
Accumulated losses	13	(159,485)	(98,778)
Total equity		570,062	630,769

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		630,769	-
Net income/expense recognised directly in equity		-	-
Net loss for the year		(60,707)	(98,778)
Total recognised income & expenses for the year		570,062	(98,778)
Shares issued during period		-	750,010
Costs of issuing shares		-	(20,463)
Dividends provided for or paid		-	-
Total equity at the end of the financial year		570,062	630,769

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		279,825	29,839
Payments to suppliers and employees		(350,165)	(195,360)
Interest received		15,877	2,823
Net cash outflow from operating activities	14	(54,463)	(162,698)
Cash flows from investing activities			
Payments for property plant and equipment		(133,002)	-
Payment for intangible assets		-	(10,000)
Payment for purchase of business		-	(35,500)
Net cash outflow from investing activities		(133,002)	(45,500)
Cash flows from financing activities			
Proceeds of share issues		-	750,010
Payment of share issue costs		-	(20,463)
Net cash inflow from financing activities		-	729,547
Net increase/(decrease) in cash held		(187,465)	521,349
Cash at the beginning of the financial year		521,349	-
Cash at the end of the financial year	6(a)	333,884	521,349

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)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Company's investment in each branch.

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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

Impairment of assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

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:		
- services commissions	262,020	48,285
- other revenue	-	45
Total revenue from operating activities	262,020	48,330
Non-operating activities:		
- interest received	20,662	9,054
Total revenue from non-operating activities	20,662	9,054
Total revenues from ordinary activities	282,682	57,384

Note 4. Expenses

Depreciation of non-current assets:

- plant and equipment	8,147	-
- leasehold improvements	6,310	-

Amortisation of non-current assets:

- franchise agreement	2,000	-
	16,457	-

Note 5. Income tax expense

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

Operating loss	(89,672)	(142,866)
Prima facie tax on loss from ordinary activities at 30%	(26,902)	(42,860)
Add tax effect of:		
- non-deductible expenses	600	-
- timing difference expenses	(1,435)	-
- blackhole expenses	(1,228)	(1,228)
Income tax expense on operating loss	(28,965)	(44,088)

Notes to financial statements continued

	2007 \$	2006 \$
Note 6. Cash assets		
Cash at bank and on hand	33,884	21,349
Term Deposits	300,000	500,000
	333,884	521,349

The above figures are reconciled to costs at the end of the financial year as shown in the statement of cashflows.

6(a). Reconciliation of cash

Cash at bank and on hand	33,884	21,349
Term deposit	300,000	500,000
	333,884	521,349

Note 7. Trade and other receivables

Trade receivables	3,570	19,802
Accrued income	4,785	6,231
	8,355	26,033

Note 8. Property, plant and equipment

Plant and equipment

At cost	26,714	-
Less accumulated depreciation	(8,147)	-
	18,567	-

Leasehold improvements

At cost	106,288	-
Less accumulated depreciation	(6,310)	-
	99,978	-
Total written down amount	118,545	-

Notes to financial statements continued

	2007	2006
	\$	\$

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	-	-
Additions	26,714	-
Disposals	-	-
Less: depreciation expense	(8,147)	-
Carrying amount at end	18,567	-

Leasehold improvements

Carrying amount at beginning	-	-
Additions	106,288	-
Disposals	-	-
Less: depreciation expense	(6,310)	-
Carrying amount at end	99,978	-
Total written down amount	118,545	-

9. Intangible assets

Franchise fee

At cost	10,000	10,000
Less: accumulated amortisation	(2,000)	-
Goodwill - business	35,500	35,500
	43,500	45,500

Note 10. Deferred tax

Deferred tax asset

Tax losses - revenue	73,053	44,088
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Notes to financial statements continued

	2007 \$	2006 \$
Note 11. Trade and other payables		
Trade creditors	4,275	3,601
Other creditors & accruals	3,000	2,600
	7,275	6,201

Note 12. Contributed equity

750,010 Ordinary shares fully paid of \$1 each (2006: 750,010)	750,010	750,010
Less: equity raising expenses	(20,463)	(20,463)
	729,547	729,547

Note 13. Accumulated losses

Balance at the beginning of the financial year	(98,778)	-
Net loss from ordinary activities after income tax	(60,707)	(98,778)
Dividends Paid	-	-
Balance at the end of the financial year	(159,485)	(98,778)

Note 14. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to
net cash used in operating activities

Loss from ordinary activities after income tax	(60,707)	(98,778)
Non cash items:		
- depreciation	14,457	-
- amortisation	2,000	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	17,678	(26,033)
- (increase)/decrease in other assets	(28,965)	(44,088)
- increase/(decrease) in payables	1,074	6,201
Net cashflows used in operating activities	(54,463)	(162,698)

Notes to financial statements continued

	2007	2006
	\$	\$
Note 15. Auditors' remuneration		
Amounts received or due and receivable by the Auditor of the Company for:		
- audit & review services	4,000	2,600
- non audit services	1,850	3,845
	5,850	6,445

Note 16. Director and related party disclosures

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

Terrence William Hall JP
Alan Keith Gostelow
Andrew Neil Forster
David Maxwell Walsh
Sybil Lynette Fowler
Francis Barry McGarvey
John Frederick Payne
Kenneth Mervyn Aly (Appointed 27 November 2006)
Leanne du Plessis (Appointed 18 January 2007)
Brian Edward Dohnt (Appointed 18 January 2007)
Janette McNair (Resigned 23 November 2006)
Edward James Walsh (Resigned 23 November 2006)
Leona Ursula Wardle (Resigned 23 November 2006)

The Chairman, Terry Hall is the owner of the branch premises at 16c Williams Street. The amount of rent and outgoings paid in 2007 was: \$23,400 (2006: \$8,725).

The Treasurer, Andy Forster is the partner in the accounting firm, Forster and Clark Accountants, which provides accounting services for the Company. The amount of accounting fees paid to accounting firm in 2007 was: \$1,140 (2006: \$Nil).

No other 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.

Notes to financial statements continued

Note 16. Director and related party disclosures (continued)

Directors shareholdings	2007	2006
Terrence William Hall JP	30,001	30,001
Alan Keith Gostelow	501	501
Andrew Neil Forster	50,001	50,001
David Maxwell Walsh	30,001	30,001
Sybil Lynette Fowler	26,001	26,001
Francis Barry McGarvey	2,001	2,001
John Frederick Payne	2,001	2,001
Kenneth Mervyn Aly (Appointed 27 November 2006)	10,000	10,000
Leanne du Plessis (Appointed 18 January 2007)	-	-
Brian Edward Dohnt (Appointed 18 January 2007)	-	-
Janette McNair (Resigned 23 November 2006)	2,001	2,001
Edward James Walsh (Resigned 23 November 2006)	501	501
Leona Ursula Wardle (Resigned 23 November 2006)	2,001	2,001

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

	2007	2006
	\$	\$

Note 17. Earnings per share

(a) Profit attributable to the ordinary equity holders of the

Company used in calculating earnings per share	(60,707)	(98,778)
--	----------	----------

	2007	2006
	Number	Number

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

denominator in calculating basic earnings per share	750,010	750,010
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Note 18. 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 19. Contingent liabilities

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

Note 20. 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 Inverloch and the surrounding district of Victoria.

Note 21. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
10 Williams Street	16C Williams Street
Inverloch, VIC 3996	Inverloch, VIC 3996

Note 22. 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 22. Financial instruments (continued)

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non Interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	33,885	11,146	-	-	-	-	-	-	-	-	0.2	0.05
Cash management	-	10,203	-	-	-	-	-	-	-	-	N/A	4.5
Term deposit	-	-	300,000	500,000	-	-	-	-	-	-	6.39	5.7
Receivables	-	-	-	-	-	-	-	-	-	26,033	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	-	6,201	N/A	N/A

Directors' declaration

In accordance with a resolution of the Directors of Inverloch & District Financial Enterprises 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.



Terrence William Hall
Chairman



Alan Keith Gostelow
Secretary

Signed 11 September 2007.

Independent audit report



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ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Inverloch & District Financial Enterprises Limited

We have audited the accompanying financial report of Inverloch & District Financial Enterprises Limited 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 Inverloch & District Financial Enterprises Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Inverloch & District Financial Enterprises Limited 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 11th day of September 2007

BSX report

In addition to information provided in accordance with statutory requirements (Corporations Act S314) of a Financial Report, Directors' Report and Auditors Report all BSX listed entities are obliged to report on a number of other items in accordance with BSX Listing Rule 3.17. Accordingly the Directors of Inverloch & District Financial Enterprises report on those items not included elsewhere in the Annual Report as follows:

- (a) This information is current as at 17 September 2007.
- (b) There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents contained in this Annual Report.
- (c) The Company ascribes to the ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations" insofar as they apply to a small listed entity. In particular the Company has established a Finance Audit & Governance Committee of the Board to fulfil its responsibilities to Bendigo Bank Limited, shareholders, customers and other stakeholders by exercising due care, diligence and skill.
- (d) The Company has no substantial shareholders.
- (e) The Company has 208 ordinary shareholders for 750,010 shares.
- (f) Shareholders are entitled to one vote only for their entire shareholding.
- (g) The number of shareholders, by size of holding is:

Size of holding	# of holders	# of shares
1 - 1,000	103	67,653
1,001 - 5,000	75	237,853
5,001 - 10,000	22	209,500
10,001 - 100,000	8	235,004
100,001 and over	Nil	Nil
Total	208	750,010

- (h) The Company Share Register records 68 shareholders who hold non marketable share parcels.

BSX report continued

(i) Details of the 10 largest holders of shares are:

Rank	Shareholder	# of ordinary shares	% of ordinary shares
1	Croweaters Super Fund a/c	50,001	6.7%
2	South Coast Super Fund a/c	50,000	6.7%
3	Mr Geoff & Mrs Rosemary Brooks	50,000	6.7%
4	Hall Family Super Fund a/c	30,001	4.0%
5	Walsh Family Super Fund a/c	30,001	4.0%
6	Mrs Sybil & Mr John Fowler	25,001	3.3%
7	Mrs Denise Beard	10,000	1.3%
8	A&P Brown Family Super Fund	10,000	1.3%
9	Mr Grant Caldwell	10,000	1.3%
10	Mr Vincent & Mrs Miriam Dowling	10,000	1.3%
Total		275,004	

(j) The Company Secretary is Alan Gostelow.

(k) The Telephone number of the Registered Office is: (03) 5674-2922.

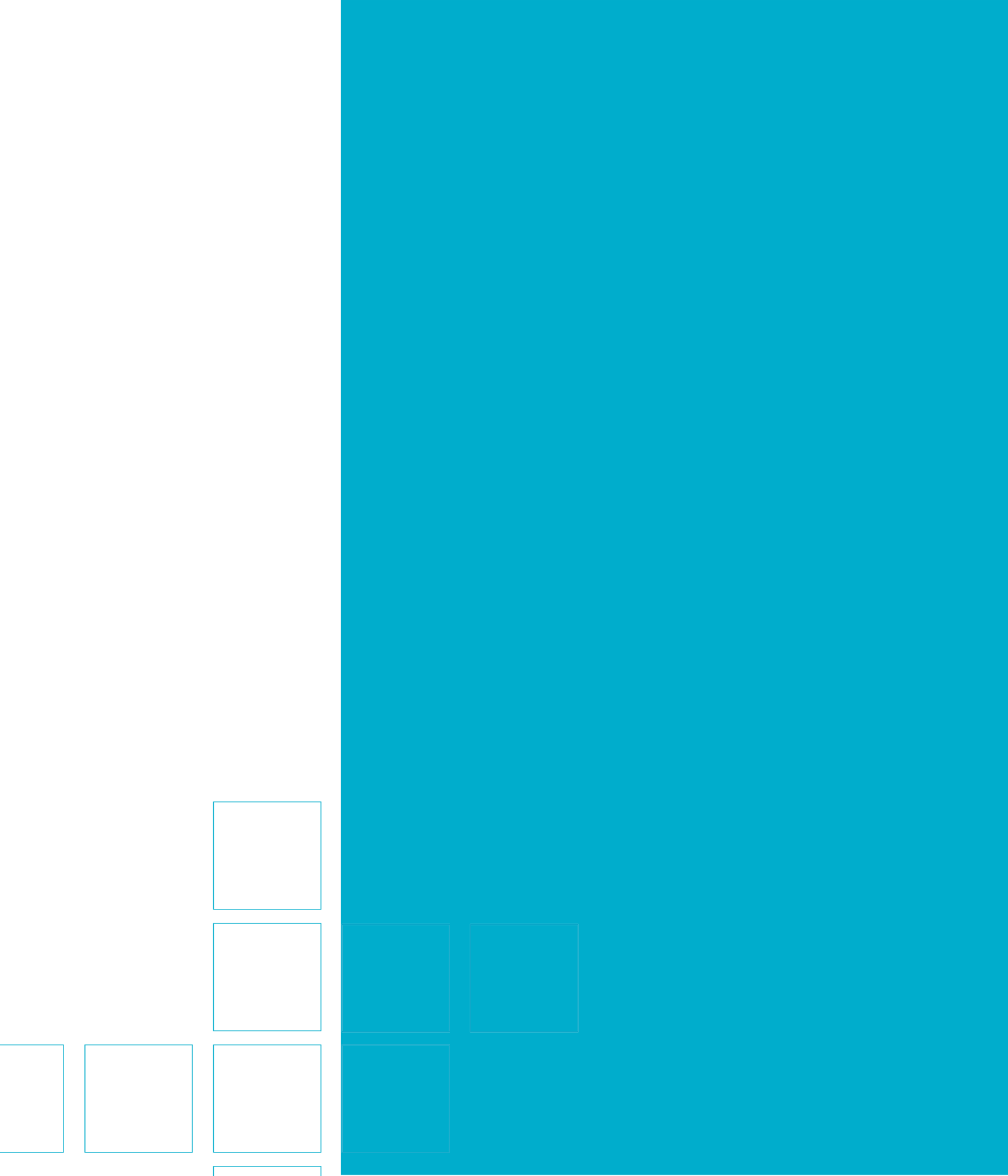
(l) The Address and Telephone Number for the Company's Share Registry is:

Essential Registry Team
Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067

Phone No: (03) 9415 4000 or 1300 850 505

(m) The Company has no restricted securities on issue.

(n) The Company has issued 750,010 shares to 208 shareholders.



Inverloch & District **Community Bank**[®] Branch
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Phone: (03) 5674 2800 Fax: (03) 5674 3077

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