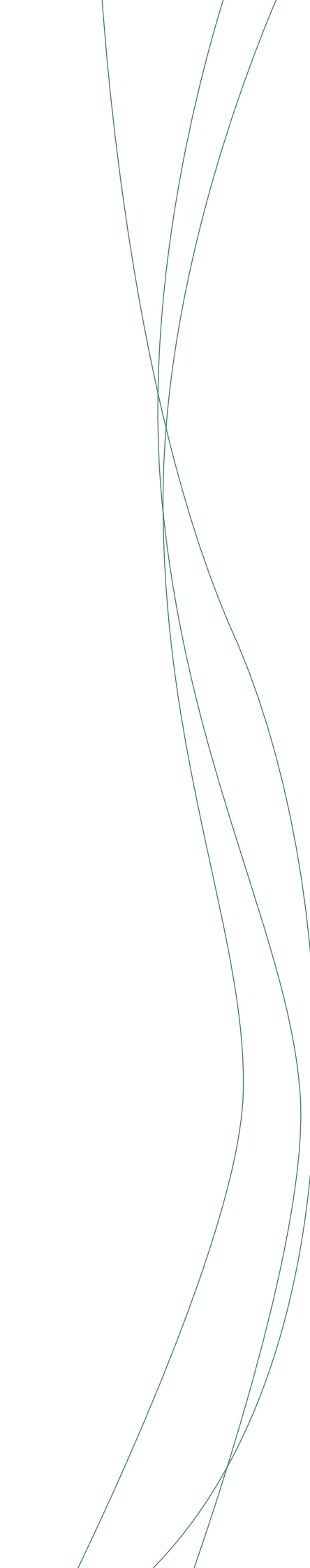


2006 annual report

Community Financial
Services Victoria Limited
ABN 51 092 756 351



Lang Lang & Pearcedale **Community Bank®** branches of Bendigo Bank
Koo Wee Rup and Narre Warren South branches of Bendigo Bank



Lang Lang **Community Bank**[®] Branch
29 Westernport Road, Lang Lang, VIC 3984
Phone: (03) 5997 5019 Fax: (03) 5997 5024

Pearcedale **Community Bank**[®] Branch
Shop 4, Pearcedale Shopping Centre, Baxter Tooradin Road, Pearcedale, VIC 3912
Phone: (03) 5978 7566 Fax: (03) 5978 7572

Koo Wee Rup
28 Station Street, Koo Wee Rup, VIC 3981
Phone: (03) 5997 2266 Fax: (03) 5997 2299

Narre Warren South
Shop 8, Amberly Park Shopping Centre, 101 Seebeck Drive, Narre Warren South, VIC 3805
Phone: (03) 9870 3411 Fax: (03) 8790 2532

Franchisee: Community Financial Services Victoria Limited
29 Westernport Road, Lang Lang, VIC 3984
ABN 51 092 756 351

www.bendigobank.com.au
Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879 (BMPAR3043) (09/06)

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Chairperson's report

For year ending 30 June 2006

Once again it gives me great pleasure to report to Shareholders on behalf of the Board on Company performance for the year ending 30 June 2006.

Performance in business growth and profitability have again exceeded expectations. Profit levels have increased thanks to the continued performance of our 'mature' branches, Lang Lang and Pearcedale whilst our 'younger' branches, Narre Warren South and Koo Wee Rup led the way in business growth for the Company with Narre Warren South returning an increase of 29.8% above budget.

As an aid in providing maximum return from profit to our communities, we have again lodged funds with the Cardinia Foundation and also this year, Bendigo Bank's philanthropic arm, Community Enterprise Foundation.

An amount of \$50,000 has been deposited to our account at each of the Foundations.

I am pleased to advise Shareholders at the time of writing this report we now have all four branches operating in profit.

Having reached this milestone we are now about to schedule Board planning sessions to establish a Business Plan for the next five years. Agenda items will include discussion on the strategic goals for our communities, the administrative structure of our Company moving forward, and succession planning. The theme of the sessions will be 2011 LOOKING BACK.

The Board acknowledges the continued performance of our Senior Manager, John Dwyer and his staff operating our four branches and of course the continued support of Bendigo Bank and staff.

To our Board of Directors, once again thank you for your continued dedicated service to your community in the fulfillment of your role as a Director of our Company.



Max Papley
Chairman

Manager's report

For year ending 30 June 2006

The performance of our branches over the 2005/2006 financial year has exceeded expectations with the result being that we finished the year ahead of budget in all areas.

The growth of our funds under management (deposits & loans) for the period was 25.97%. This is a magnificent achievement.

The spread of our business portfolio is as follows:

Lang Lang	30.1% of total business
Pearcedale	30.5% of total business
Koo Wee Rup	21.1% of total business
Narre Warren South	18.3% of total business

The sustained growth within the group has been made possible by our hard working and committed staff, who continue to build friendly and professional environments at each of our sites.

I congratulate Darren Guinea and his Lang Lang team, Christine Young and her Pearcedale team, Richard Roach and his Koo Wee Rup team and David Edmunds and his Narre Warren South team for their consistent team efforts over the last 12 months. Their dedication and contribution makes our branches attractive to new and existing customers as well as an enjoyable place for the staff to work.

I continue to seek the support of all of our Shareholders and local residents in helping us to promote and grow our community branches over the coming 12 months. The more Shareholders, family members, friends and acquaintances that we encourage to bank with us, the more funds we will have to put back into our communities through sponsorships, grants, donations, dividends etc.

My thanks go to Max Papley and our Board of Directors for their continued support of both myself and all of our staff. Their contributions, in terms of effort and time, put in over the last 12 months for the benefit of their communities is to be commended. Without their ongoing input we wouldn't be able to function. Congratulations to them all.



John Dwyer
Senior Manager

Directors' report

For year ending 30 June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

Directors

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

Maxwell William Papley

Chairman

Age: 66

Occupation: Retail Rural Merchandise Propriator

Experience and expertise:

- Chairman CFSV Ltd since inception
- Trustee Cardinia Foundation

Special responsibilities:

- Chairman of the Board

Interests in shares: 5,250 Ordinary Shares

Douglas Hugh Hamilton

Deputy Chairman

Age: 69

Occupation: Grazier

Experience and expertise:

- Councillor Westernport Ward Cardinia Shire

Special responsibilities:

- Chairman of Human Resources Sub Committee

Interests in shares: 9,100 Ordinary Shares

Maxwell Arthur John Kneebone

Director

Age: 69

Occupation: Grazier

Experience and expertise:

Special responsibilities:

- Chairman of Asset Management Sub Committee
- Business Growth Sub Committee

Interests in shares: 52,500 Ordinary Shares

Michael John Duff

Director

Age: 42

Occupation: Owner Operator

Experience and expertise:

Koo Wee Rup CFA Captain

President Koo Wee Rup Business Association

Special responsibilities:

- Business Growth Sub Committee

Interests in shares: 30,000 Ordinary Shares

Tania Lyn Hansen

Secretary

Age: 36

Occupation: Student

Experience and expertise:

- Former Secretary of Lang Lang Town Committee

- Lang Lang School Council Member

Special responsibilities:

- Audit & Governance Sub Committee

Interests in shares: 500 Ordinary Shares

John Munro Lyle

Director

Age: 55

Occupation: Self Employed Retail Propriator

Experience and expertise:

- Finance and Banking Background

Special responsibilities:

- Chairman of Business Growth Sub Committee

- Chairman of Finance & Budget Sub Committee

Interests in shares: 15,850 Ordinary Shares

Directors' report continued

Glenister Malcolm McGregor

Director

Age: 65

Occupation: Owner Operator, Grazier

Experience and expertise:

- Former Chairman of Lang Lang Town Committee

Special responsibilities:

- Chairman of Audit & Governance Sub Committee

Interests in shares: 56,000 Ordinary Shares

Gordon Lovell Sampson

Director

Age: 70

Occupation: Retired Self Employed Electrician

Experience and expertise:

- Chairman of Lang Lang Town Committee

Special responsibilities:

- Asset Management Committee

Interests in shares: 5,700 Ordinary Shares

Ronald James Witney

Director

Age: 47

Occupation: Pharmacist

Experience and expertise:

- 15 years Pharmacist in Pearcedale

Interests in shares: 17,200 Ordinary Shares

Russell Peter Jenkins

Director (Resigned 4 April 2006)

Age: 44

Occupation: Bank Executive

Experience and expertise:

- Bendigo Bank employee with many years experience in banking sector

Special responsibilities:

- Bendigo Bank Ltd consultation

Interests in shares: Nil Shareholding

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

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

Company Secretary

The Company Secretary is Tania Hansen. Tania was appointed to the position of Secretary on 16 September 2003. She holds a Bachelor degree in linguistics. Previously Tania held the position of treasurer and has a history in the banking sector. She has gained experience whilst being involved at committee level on several local community committees.

Principal activities

The principal activities of the Company during the course of the financial year were in providing 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.

Directors' report continued

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was:

Year ended 30 June 2006	Year ended 30 June 2005
\$	\$
91,689	86,571

Remuneration report

No Director of the Company receives remuneration for services as a Company Director or Committee member.

The Senior Manager and Managers of the Bank receives gross remuneration packages between \$50,000 and \$100,000 per annum based on experience. Performance incentives do not form any part of the Manager's remuneration. They also receive employer superannuation support.

Dividends

No dividends were paid for the year ended 30 June 2006. The Directors resolved on 5 September 2006 to pay a fully franked dividend of 10 cent to ordinary Shareholders. The date of payment of this dividend is anticipated to be in December 2006.

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 providing banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

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 Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

	Number of Board meetings	
	eligible to attend	Number attended
Maxwell William Papley	13	12
Michael John Duff	13	9
Douglas Hugh Hamilton	13	13
Tania Lyn Hansen	13	13
Maxwell Arther John Kneebone	13	10
John Munro Lyle	13	9
Glenister Malcolm McGregor	13	9
Gordon Lovell Sampson	13	8
Ronald James Witney	13	7
Russell Peter Jenkins (Resigned 4 April 2006)	8	-
Wilhelmus Antonius Den Hartog (Alternate for Russell Peter Jenkins)	8	4

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 31.

Signed in accordance with a resolution of the Board of Directors at Lang Lang, Victoria on 25 September 2006.



Maxwell W. Papley
Chairman



Douglas H. Hamilton
Director

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenues from ordinary activities	3	1,734,043	1,392,789
Salaries and employee benefits expense		(836,524)	(683,995)
Advertising and promotion		(135,787)	(87,028)
Occupancy and associated costs		(124,394)	(114,725)
Systems costs		(84,240)	(83,261)
Depreciation and amortisation expense	4	(42,188)	(44,276)
General administration expenses		(370,987)	(260,914)
Profit from ordinary activities before income tax expense		139,923	118,590
Income tax expense	5	(48,234)	(32,019)
Profit from ordinary activities after income tax expense		91,689	86,571
Profit attributable to members of Community Financial Services Victoria Limited		91,689	86,571
Earnings per share (cents per share)			
- basic for profit for the year	19	12.52	11.82

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash assets	6	224,104	354,373
Trade and other receivables	7	150,967	114,155
Total current assets		375,071	468,528
Non-current assets			
Property, plant and equipment	8	221,440	222,236
Intangibles	9	266,932	259,598
Total non-current assets		488,372	481,834
Total assets		863,443	950,362
Current liabilities			
Trade and other payables	10	80,262	90,403
Tax liability	11	45,483	29,458
Provisions	12	51,032	39,228
Total current liabilities		176,777	159,089
Non-current liabilities			
Interest bearing liabilities	13	-	145,030
Total non-current liabilities		-	145,030
Total liabilities		176,777	304,119
Net assets		686,666	646,243
Equity			
Contributed equity	14	607,871	659,137
Retained profits/(Accumulated losses)	15	78,795	(12,894)
Total equity		686,666	646,243

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 \$	2005 \$
Total equity at the beginning of the financial year		646,243	533,811
Net profit for the year		91,689	86,571
Net income/expense recognised directly in equity		-	62,480
Return of capital to Shareholders		(51,266)	(36,619)
Dividends provided for or paid		-	-
Shares issued during period		-	-
Total equity at the end of the financial year		686,666	646,243

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Cash received from customers		1,848,054	1,376,635
Cash paid to suppliers and employees		(1,753,185)	(1,218,368)
Interest received		11,516	9,833
Net outflows from operating activities	16(b)	106,385	168,100
Cash flows from investing activities			
Payments for property plant and equipment		(20,388)	(6,474)
Payments for franchise fees		(20,000)	-
Net cash outflows investing activities		(40,388)	(6,474)
Cash flows from financing activities			
Capital return (5 cents per share)		(51,266)	(36,619)
Repayment of borrowings		(145,000)	(8,968)
Net cash inflows from financing activities		(196,266)	(45,587)
Net decrease in cash held		(130,269)	116,039
Cash at the beginning of the financial year		354,373	238,334
Cash at the end of the financial year	16(a)	224,104	354,373

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Community Financial Services Victoria Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Financial Statements of Community Financial Services Victoria Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Community Financial Services Victoria Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company equity and its net income are given in note 25.

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.

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).

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of 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 they related to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current 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.

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

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 have been recorded at cost and are 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.

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
- motor vehicle 4 years

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets 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.

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.

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

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Provisions

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

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

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 2: 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.

Notes to financial statements continued

Note 2: Financial risk management continued

(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.

	2006	2005
	\$	\$

Note 3: Revenue from ordinary activities

Operating activities:

- services commissions	1,698,864	1,382,956
- other revenue	2,000	-
Total revenue from operating activities	1,700,864	1,382,956

Non-operating activities:

- rental income received	20,583	-
- interest received	12,596	9,833
Total revenue from non-operating activities	33,179	9,833
Total revenues from ordinary activities	1,734,043	1,392,789

Note 4: Expenses

Depreciation of non-current assets:

- plant and equipment	25,264	27,313
- motor vehicle	4,258	4,963

Amortisation of non-current assets:

- franchise agreement	12,666	12,000
	42,188	44,276
Bad debts	3,943	3,324
Loss on disposal of fixed asset	64	-

Notes to financial statements continued

	2006	2005
	\$	\$

Note 5: Income tax expense

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

Operating profit	139,923	101,550
Prima facie tax on profits from ordinary activities at 30%	41,977	30,465
Add tax effect of:		
- origination and reversal of temporary differences	2,457	-
- non-deductible expenses	3,800	9,995
Less:		
- prior year losses brought to account	-	8,441
Income tax expense on operating profits	48,234	32,019

Note 6: Cash assets

Cash at bank and on hand	224,104	254,373
Term deposits	-	100,000
	224,104	354,373

Note 7: Trade and other receivables

Trade receivables	149,376	105,841
Prepayments	511	4,320
Accrued income - interest	1,080	3,994
	150,967	114,155

Notes to financial statements continued

	2006 \$	2005 \$
Note 8: Property, plant and equipment		
Motor vehicle @ cost		
At cost	31,782	29,289
Less accumulated depreciation	(865)	(12,196)
	30,917	17,093
Plant and equipment		
At cost	316,446	305,803
Less accumulated depreciation	(125,923)	(100,660)
	190,523	205,143
Total written down amount	221,440	222,236
Movements in carrying amounts:		
Motor vehicle @ cost		
Carrying amount at beginning	17,093	22,056
Additions	31,782	-
Disposals	(13,700)	-
Less: depreciation expense	(4,258)	(4,963)
Carrying amount at end	30,917	17,093
Plant and equipment		
Carrying amount at beginning	205,143	225,985
Additions	10,643	6,472
Disposals	-	-
Less: depreciation expense	(25,263)	(27,313)
Carrying amount at end	190,523	205,143
Total written down amount	221,440	222,236

Notes to financial statements continued

	2006 \$	2005 \$
Note 9: Intangible assets		
Franchise fee (Lang Lang)		
At cost	10,000	10,000
Less: accumulated amortisation	(5,152)	(3,152)
	4,848	6,848
Franchise fee (Pearcedale)		
At cost	50,000	50,000
Less: accumulated amortisation	(25,758)	(15,758)
	24,242	34,242
Franchise fee (Narre Warren)		
At cost	10,000	-
Less: accumulated amortisation	(333)	-
	9,667	-
Franchise fee (Koo Wee Rup)		
At cost	10,000	-
Less: accumulated amortisation	(333)	-
	9,667	-
Goodwill		
At valuation	218,508	218,508
Less: accumulated amortisation	-	-
	218,508	218,508
	266,932	259,598

Note 10: Trade and other payables

Trade Creditors	23,262	85,260
Accrued expenses	57,000	5,143
	80,262	90,403

Notes to financial statements continued

	2006	2005
	\$	\$

Note 11: Tax liabilities

Income tax payable	45,483	29,458
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Note 12: Provisions

Employee provisions	51,032	39,228
Number of employees at year end	13	13

Note 13: Loans

Non-interest bearing liabilities	-	145,030
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The cost of fitting out the Narre Warren South branch was funded by the landlords of the building. The loan was paid out in full during the period.

Note 14: Contributed equity

732,375 Ordinary shares of \$1 each (2005: 732,375)

Brought forward (1 July 2005)	659,137	695,756
Return of capital	(51,266)	(36,619)
Balance carried forward (30 June 2006)	607,871	659,137

Note 15: Retained earnings/ accumulated losses

Balance at the beginning of the financial year	(12,894)	(82,425)
Net profit from ordinary activities after income tax	91,689	69,531
Balance at the end of the financial year	78,795	(12,894)

Notes to financial statements continued

	2006	2005
	\$	\$

Note 16: Statement of cashflows

(a) Reconciliation of cash

Cash at bank and on hand	224,104	254,373
Term deposits	-	100,000
	224,104	354,373

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

Profits from ordinary activities after income tax	91,689	86,571
Non cash items:		
- depreciation	29,522	32,276
- amortisation	12,666	12,540
- hire purchase charges	-	156
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(36,813)	(1,967)
- (increase)/decrease in other assets	-	32,052
- increase/(decrease) in payables	(2,483)	7,878
- increase/(decrease) in other liabilities	11,804	(1,406)
Net cashflows provided by/(used in) operating activities	106,385	168,100

Note 17: Auditors' remuneration

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

- audit services (Andrew Frewin & Stewart)	3,500	2,400
- audit and review services (Duncan F Smith)	-	3,500
- other services in relation to the entity	950	-
	4,450	3,500

Note: Duncan F Smith resigned as Auditors, and the Directors appointed Andrew Frewin & Stewart during 2004/2005 financial year.

Notes to financial statements continued

Note 18: Director and related party disclosures

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

Maxwell William Papley
Michael John Duff
Douglas Hugh Hamilton
Tania Lyn Hansen
Maxwell Arther John Kneebone
John Munro Lyle
Glenister Malcolm McGregor
Gordon Lovell Sampson
Ronald James Witney
Russell Peter Jenkins (Resigned 4 April 2006)

The Company made payments of \$19,656 to Maxwell Arthur Kneebone for rental of the branch premises at Lang Lang. The terms and conditions of this rental arrangement are on a commercial basis.

The Company made payments of \$2,200 to Tania Hansen for services performed as Secretary, including but not limited to, bookkeeping, corporate affairs administration, accounts liaison, and other Company Secretarial duties.

In the normal course of business operations, Community Financial Services Victoria Ltd utilised services offered by local community business. Some of these transactions included businesses which some Directors have direct or indirect interest. These transactions are not material, are considered to be on arms length basis and on normal commercial terms.

Directors shareholdings	2006	2005
Maxwell William Papley	5,250	5,250
Michael John Duff	30,000	30,000
Douglas Hugh Hamilton	9,100	9,100
Tania Lyn Hansen	500	500
Maxwell Arther John Kneebone	52,500	52,500
John Munro Lyle	15,850	15,850
Glenister Malcolm McGregor	56,000	56,000
Gordon Lovell Sampson	5,700	5,700
Ronald James Witney	17,200	17,200
Russell Peter Jenkins (Resigned 4 April 2006)	-	-

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

Notes to financial statements continued

	2006	2005
	¢	¢
Note 19: Earnings per Share		
Losses per share for the financial year were:	12.52	11.82

Note 20: Subsequent events

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

Note 21: Subsequent events

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

Note 22: Contingent liabilities

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

Note 23: Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in the geographic area being of Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South and their surrounding districts of Victoria.

Note 24: Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
29 Westernport Road,	29 Westernport Road,
Lang Lang, VIC 3984	Lang Lang, VIC 3984

Notes to financial statements continued

Note 25: Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

Effect of A-IFRS on financial statements

Goodwill

The entity has elected to restate the carrying value of a business combination that occurred prior to the date of transition to A-IFRS, and accordingly, the carrying amount of goodwill at the date of transition has changed. This is shown in the retained earnings as a total adjustment of \$79,520 written back.

Retained earnings

The effect of the above adjustments on retained earnings is as follows:

	1 July 2004	30 June 2005
Goodwill no longer amortised	62,480.00	17,040.00
Total adjustments to retained earnings	62,480.00	17,040.00

Income statements

The effect of the above adjustments on the income statement for the financial year ending 30 June 2005 is as follows:

	30-Jun 2005 \$	Effects of Transition to A-IFRS	A-IFRS 30-Jun 2005 \$
Revenue from ordinary activities	1,392,789	-	1,392,789
Salaries and employee benefit expense	(683,995)	-	(683,995)
Depreciation and amortisation expense	(61,316)	17,040	(44,276)
Occupancy and associated costs	(114,725)	-	(114,725)
Other expenses	(431,203)	-	(431,203)
Profit before income tax expense	101,550	17,040	118,590
Income tax expense	32,019	-	32,019
Profit attributable to members of the entity	69,531	17,040	86,571

Notes to financial statements continued

Note 25: Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Balance sheet

The effect of the above adjustments on the balance sheet for the financial year ending 30 June 2005 is as follows:

	30-Jun 2005 \$	A-IFRS Effects of Transition to A-IFRS	30-Jun 2005 \$
Current assets			
Cash assets	354,373	-	354,373
Trade and other receivables	114,155	-	114,155
Total current assets	468,528	-	468,528
Non-current assets			
Property, plant and equipment	222,236	-	222,236
Intangible assets	180,078	79,520	259,598
Total non-current assets	402,314	79,520	481,834
Total assets	870,842	79,520	950,362
Current liabilities			
Trade and other payables	90,403	-	90,403
Tax liability	29,458	-	29,458
Provisions	39,228	-	39,228
Total current liabilities	159,089	-	159,089
Non-current liabilities			
Borrowings	145,030	-	145,030
Total non-current liabilities	145,030	-	145,030
Total liabilities	304,119	-	304,119
Net assets	566,723	79,520	646,243
Equity			
Issued capital	659,137	-	659,137
Accumulated losses	(92,414)	79,520	(12,894)
Total equity	566,723	79,520	646,243

Notes to financial statements continued

Note 26: Segment reporting

	Total revenue		Profit from ordinary activities after income tax		Net assets	
	2006	2005	2006	2005	2006	2005
Geographic segments	\$	\$	\$	\$	\$	\$
Lang Lang	641,909	569,619	133,327	144,634	365,345	477,728
Pearcedale	563,105	480,017	126,911	89,131	158,083	136,229
Koo Wee Rup	274,206	206,745	(62,404)	(42,523)	54,823	95,545
Narre Warren South	254,823	136,408	(106,145)	(104,671)	108,415	(63,259)
Total	1,734,043	1,392,789	91,689	86,571	686,666	646,243

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity primarily operates in the geographic areas of Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South & their surrounding districts of Victoria.

Note 26: 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 26: Financial instruments continued

Interest rate risk

Financial instrument	Fixed interest rate maturing in											
	Floating		1 year		Over 1 to		Over		Non Interest		Weighted	
	interest rate		or less		5 years		5 years		bearing		average	
											effective	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial

assets

Cash assets	186,450	109,117	-	-	-	-	-	-	-	-	0.05	0.05
Ethical investment	37,654	145,256	-	-	-	-	-	-	-	-	4.76	4.76
Term deposit	-	-	-	100,000	-	-	-	-	-	-	N/A	5.35
Receivables	-	-	-	-	-	-	-	-	-	150,968	114,155	N/A

Financial liabilities

Payables	-	-	-	-	-	-	-	-	-	80,262	90,404	N/A
Loan - private	-	-	-	-	-	-	-	-	-	-	145,030	N/A

Directors' declaration

In accordance with a resolution of the Directors of Community Financial Services Victoria 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 2006 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.

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



Maxwell W. Papley
Chairman



Tania Hansen
Secretary

Signed on 25 September 2006.

Independent audit report



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INDEPENDENT AUDIT REPORT

To the members of Community Financial Services Victoria Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Community Financial Services Victoria Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Audit Opinion

In our opinion:

1. the financial report of Community Financial Services Victoria Limited is 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.


DAVID HUTCHINGS

ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, VIC 3550
Dated this 26th day of September 2006

Auditor's independence declaration



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As lead Auditor for the audit of Community Financial Services Victoria Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Community Financial Services Victoria Limited.

David Hutchings
Auditor Partner

Andrew Frewin & Stewart

Bendigo

25 September 2006

BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 18th September 2006.

1. Corporate Governance statement

The Board guides and monitors the business and affairs on behalf of the Shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board has compiled policies and procedures that will govern our Company into the future. We believe that building policy framework will assist clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

2. Substantial Shareholders – ten largest Shareholders

	Ordinary Shares	% of capital
1. McGregor Sands Pty Ltd	45,000	6.14%
2. Sea Leaf Products Pty Ltd	44,000	6.01%
3. M & L Duff Pty Ltd	30,000	4.10%
4. Maureen Dwyer	25,000	3.41%
5. Seventy Second Colro Pty Ltd	25,000	3.41%
6. Lyle Staff Super Fund	15,850	2.16%
7. Pauley Super Fund	11,235	1.53%
8. Witney Super Fund	11,200	1.53%
9. Colin Fell	10,250	1.40%
10. Admar Creations Pty Ltd	10,000	1.37%

3. Voting rights

Each Shareholder has one vote.

BSX report continued

4. Distribution of Shareholders

The number of Shareholders, by size of holding, is:

	Ordinary Shares	
	Number of Shareholders	Number of Shares
1 - 1,000	97	60,068
1,001 - 5,000	83	187,972
5,001 - 10,000	42	266,800
10,001 - 100,000	9	217,535
100,001 and over	0	0
Total	231	732,375

5. Monitoring of the Board's performance and communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board and Directors aim to ensure that Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

The Board does have an Audit and Governance Committee.

6. Address and telephone number of the office which the securities register is kept:

Bendigo Bank Limited
Share Registry Office
Fountain Court,
Bendigo, VIC 3552

As of 29th September 2006, the Company's register will move to:

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

