



2007 annual report

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

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Chairman's report

For year ending 30 June 2007

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 2007.

As we are about to embark on our 10th year of operations, and with over 200 **Community Bank**® branches now across the nation located in all states and territories, our growth enables us to continue to lead the way both by performance and by example.

Company budget in terms of business growth across all four sites was achieved, enabling us to increase Company profit levels by 28%. We were also able to increase our contributions significantly, to both the Community Enterprise Foundation and the Cardinia Foundation.

The further growth of our Company both in funds under management and profitably continues to enable us to make healthy returns to you, our shareholders and of course to the communities we serve.

Our AGM this year will be preceded at 6.15pm by refreshments for shareholders as well as invited guests, who will receive grants for their community group, made available to them courtesy of our Community Grant Program. Please come along and help us celebrate our success.

The Board acknowledges the continued performance of our Senior Manager John Dwyer and our staff operating all four branches with the continued support of Bendigo Bank and their staff.

To our Board of Directors, once again thank you for your continued dedicated service to your community.

It is with sadness that I report the passing of our esteemed colleague John Preston in May of this year. John served our Company very enthusiastically and capably in his role as a Director and convener of our Finance and Budget Committee.



Max Papley
Executive Chairman.

Manager's report

For year ending 30 June 2007

Our Company will celebrate its ninth birthday soon and continues to grow at a fantastic rate. Our total banking business grew by more than 15 per cent over the last 12 months. This is an excellent result for the Company and places us in the top echelon of **Community Bank®** Companies overall.

Our deposits increased by over 14 per cent and our loans by nearly 17 per cent.

The spread of our business portfolio is as follows:

Lang Lang	30.80 per cent of total business
Pearcedale	28.09 per cent of total business
Koo Wee Rup	19.88 per cent of total business
Narre Warren South	21.23 per cent of total business

This sort of growth is only possible with the dedication and support of our branch staff who currently service over 12,000 accounts. As our business grows, so do our staff numbers. We now have 22 staff within our group, including two relief Officers.

We have had significant contributions from each of our teams and 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 outstanding efforts over the last 12 months. I encourage all shareholders to drop into their local branch and experience the friendly service provided by our branch teams.

We continue to seek the support of all of our shareholders and local residents in helping us to promote and grow our **Community Bank®** branches over the coming year. 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.

Last, but not least, I thank Max Papley and our Board of Directors for their continued support of both myself and all of our staff. Their commitment, in terms of time and effort, put in over the last year for the benefit of their communities is to be applauded.



John Dwyer
Senior Manager

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:

Maxwell William Papley

Chairman

Age: 67

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: 30,250 Ordinary Shares

Michael John Duff

Director

Age: 43

Occupation: Owner Operator

Experience and expertise:

- KooWeeRup CFA Captain

Special responsibilities:

- Business Growth Sub Committee

Interests in shares: 30,000 Ordinary Shares

Douglas Hugh Hamilton

Deputy Chairman

Age: 70

Occupation: Grazier

Experience and expertise:

- Councillor Westernport Ward Cardinia Shire

Special responsibilities:

- Audit & Governance Sub Committee

Interests in shares: 9,100 Ordinary Shares

Tania Lyn Hansen

Secretary

Age: 37

Occupation: Student

Experience and expertise:

- Former Secretary of Lang Lang Town Committee

Special responsibilities:

- Human Resources Sub Committee

Interests in shares: 500 Ordinary Shares

Maxwell Arthur John Kneebone

Director

Age: 70

Occupation: Grazier

Experience and expertise:

Special responsibilities:

- Asset Management Sub Committee
- Business Growth Sub Committee

Interests in shares: 52,500 Ordinary Shares

John Munro Lyle

Director

Age: 56

Occupation: Self Employed Retail Propriator

Experience and expertise:

- Finance and Banking Background

Special responsibilities:

- Business Growth Sub Committee
- Finance & Budget Sub Committee

Interests in shares: 15,850 Ordinary Shares

Directors' report continued

Glenister Malcolm McGregor

Director

Age: 66

Occupation: Owner Operator, Grazier

Experience and expertise:

- Former Chairman of Lang Lang Town Committee

Special responsibilities:

- Audit & Governance Sub Committee

Interests in shares: 56,000 Ordinary Shares

Ronald James Witney

Director

Age: 48

Occupation: Pharmacist

Experience and expertise:

- 15 years Pharmacist in Pearcedale

Special responsibilities:

- Finance & Budget Sub Committee

Interests in shares: 17,200 Ordinary Shares

Gordon Lovell Sampson

Director

Age: 71

Occupation: Retired Self Employed Electrician

Experience and expertise:

- Chairman of Lang Lang Town Committee

Special responsibilities:

- Asset Management Sub Committee

Interests in shares: 5,700 Ordinary Shares

Lesley John Preston

Director (Appointed 2 November 2006,
deceased 27 May 2007)

Age: 80

Occupation: Company Secretary

Experience and expertise:

- Accountant

Special responsibilities:

- Finance & Budget Sub Committee

Interests in shares: 44,000 Ordinary Shares

Gordon Douglas Smale

Director (Appointed 3 July 2007)

Age: 42

Occupation: Business Proprietor

Experience and expertise:

- Financial background

Interests in shares: Nil Ordinary Shares

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

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 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.

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 2007	Year ended 30 June 2006
\$	\$
117,779	91,689

Remuneration report

The Board is responsible for the determination of remuneration packages and policies applicable to the Senior Manager and all the staff. The Senior Manager is invited to the Board meeting as required to discuss performance and remuneration packages.

The Senior Manager is paid a base salary, which is \$84,925 including the use of a Company car with a FBT value of \$7,206. In addition the Senior Manager receives a bonus if the Company exceeds the budget estimates established by the Board. During the year a bonus was paid of \$18,000, plus employer sponsored superannuation of \$9,666.

During the year the Board has made a resolution to pay Max Papley \$40,000 for services performed in his role as 'Executive Chairman'. During 2006/2007 Max invoiced the entity for \$10,000 for services performed as Executive Chairman.

During the year the Board has made a resolution to pay Tania Hansen \$15,000 for services performed in her role as 'Company Secretary', including but not limited to, corporate affairs administration, accounts liaison and other Company Secretarial duties. During 2006/2007 Tania was paid \$9,000 for her services performed as Company Secretary.

Directors fees

For the year ended 30 June 2007, the Directors received total remuneration, as follows:

	\$
Maxwell William Papley	2,000
Michael John Duff	2,000
Douglas Hugh Hamilton	2,000
Tania Lyn Hansen	2,000
Maxwell Arthur John Kneebone	2,000
John Munro Lyle	2,000
Glenister Malcolm McGregor	2,000
Gordon Lovell Sampson	2,000
Ronald James Witney	2,000
John Preston (Appointed 2 November 2006, Deceased 27 May 2007)	2,000

Directors' report continued

Dividends

	Year ended 30 June 2007	
	Cents	\$
Dividends paid in the year:		
- As recommended in the prior year report	10	73,238

The Directors have resolved that a 14 cents fully franked dividend be paid to ordinary shareholders from the previous year profits. The dividend will be paid on the 14th of December 2007 based on the shareholdings as at 30 November 2007.

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

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 except as set out in Note 17 to the Financial Statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' report continued

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	12	10
Michael John Duff	12	7
Douglas Hugh Hamilton	12	9
Tania Lyn Hansen	12	11
Maxwell Arthur John Kneebone	12	8
John Munro Lyle	12	7
Glenister Malcolm McGregor	12	9
Gordon Lovell Sampson	12	11
Ronald James Witney	12	8
John Preston (Appointed 2 November 2006, Deceased 27 May 2007)	6	5

Non audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' report continued

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 10.

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



Maxwell William Papley
Chairman



Tania Lyn Hansen
Secretary

Auditor's independence declaration



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Auditor's Independence Declaration

As lead auditor for the audit of the financial statements Community Financial Services Victoria 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
12 September 2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	3	2,136,823	1,734,043
Salaries and employee benefits expense		(915,386)	(836,524)
Advertising and promotion		(442,992)	(135,787)
Occupancy and associated costs		(150,535)	(124,394)
Systems costs		(89,084)	(84,240)
Depreciation and amortisation expense	4	(41,718)	(42,188)
General administration expenses		(317,000)	(370,987)
Profit before income tax expense		180,108	139,923
Income tax expense	5	(62,329)	(48,234)
Profit for the period		117,779	91,689
Profit attributable to members of the entity		117,779	91,689
Earnings per share (cents per share)			
		c	c
- basic for profit for the year	18	15.2	12.52
- dividends paid per share	19	10	-

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	166,938	224,104
Trade and other receivables	7	167,996	150,967
Total current assets		334,934	375,071
Non-current assets			
Property, plant and equipment	8	328,031	221,440
Intangibles	9	250,936	266,932
Total non-current assets		578,967	488,372
Total assets		913,901	863,443
Current liabilities			
Trade and other payables	10	99,869	80,262
Tax liability	11	15,468	45,483
Provisions	12	67,357	51,032
Total current liabilities		182,694	176,777
Total liabilities		182,694	176,777
Net assets		731,207	686,666
Equity			
Contributed equity	13	607,871	607,871
Retained profits	14	123,336	78,795
Total equity		731,207	686,666

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		686,666	646,243
Net income/expense recognised directly in equity		-	-
Net profit for the year		117,779	91,689
Total recognised income & expenses for the year		804,445	737,932
Shares issued during period		-	-
Return of capital to shareholders		-	(51,266)
Costs of issuing shares		-	-
Dividends provided for or paid		(73,238)	-
Total equity at the end of the financial year		731,207	686,666

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		2,326,858	1,848,054
Payments to suppliers and employees		(2,175,428)	(1,753,185)
Interest received		2,752	11,516
Net outflows from operating activities	15	154,182	106,385
Cash flows from investing activities			
Payments for property plant and equipment		(138,111)	(20,388)
Payments for franchise fees		-	(20,000)
Net cash outflows investing activities		(138,111)	(40,388)
Cash flows from financing activities			
Capital return (5 cents per share)		-	(51,266)
Payment of dividends		(73,237)	-
Repayment of borrowings		-	(145,000)
Net cash inflows from financing activities		(73,237)	(196,266)
Net decrease in cash held		(57,166)	(130,269)
Cash at the beginning of the financial year		224,104	354,373
Cash at the end of the financial year	6(a)	166,938	224,104

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 acquired 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 the asset.

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	2,115,967	1,698,864
- other revenue	2,610	2,000
Total revenue from operating activities	2,118,577	1,700,864
Non-operating activities:		
- rental income received	13,000	20,583
- interest received	5,246	12,596
Total revenue from non-operating activities	18,246	33,179
Total revenues from ordinary activities	2,136,823	1,734,043

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	25,722	25,264
- motor vehicle	5,797	4,258
Amortisation of non-current assets:		
- franchise agreement	15,996	12,666
	47,515	42,188
Bad debts	3,566	3,943
Loss on disposal of fixed asset	-	64

Notes to financial statements continued

	2007	2006
	\$	\$

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	180,108	139,923
Prima facie tax on profits from ordinary activities at 30%	54,032	41,977
Add tax effect of:		
- origination and reversal of temporary differences	3,498	2,457
- non-deductible expenses	4,799	3,800
Income tax expense on operating profits	62,329	48,234

Note 6. Cash assets

Cash at bank and on hand	161,518	186,450
Investment account	5,420	37,654
	166,938	224,104

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) Reconciliation of cash

Cash at bank and on hand	161,518	186,450
Investment account	5,420	37,654
	166,938	224,104

Note 7. Trade and other receivables

Trade receivables	164,382	149,376
Prepayments	41	511
Accrued income - interest	3,573	1,080
	167,996	150,967

Notes to financial statements continued

	2007 \$	2006 \$
Note 8. Property, plant and equipment		
Motor vehicle @ cost		
At cost	31,782	31,782
Less accumulated depreciation	(6,662)	(865)
	25,120	30,917
Plant and equipment		
At cost	454,556	316,446
Less accumulated depreciation	(151,645)	(125,923)
	302,911	190,523
Total written down amount	328,031	221,440
Movements in carrying amounts:		
Motor vehicle @ cost		
Carrying amount at beginning	30,917	17,093
Additions	-	31,782
Disposals	-	(13,700)
Less: depreciation expense	(5,797)	(4,258)
Carrying amount at end	25,120	30,917
Plant and equipment		
Carrying amount at beginning	190,522	205,143
Additions	138,111	10,643
Disposals	-	-
Less: depreciation expense	(25,722)	(25,263)
Carrying amount at end	302,911	190,522
Total written down amount	328,031	221,439

Notes to financial statements continued

	2007 \$	2006 \$
Note 9. Intangible assets		
Franchise fee (Lang Lang)		
At cost	10,000	10,000
Less: accumulated amortisation	(7,152)	(5,152)
	2,848	4,848
Franchise fee (Pearcedale)		
At cost	50,000	50,000
Less: accumulated amortisation	(35,758)	(25,758)
	14,242	24,242
Franchise fee (Narre Warren)		
At cost	10,000	10,000
Less: accumulated amortisation	(2,333)	(333)
	7,667	9,667
Franchise fee (Koo Wee Rup)		
At cost	10,000	10,000
Less: accumulated amortisation	(2,333)	(333)
	7,667	9,667
Goodwill		
At valuation	218,508	218,508
Total written down amount	250,932	266,932

Note 10. Trade and other payables

Trade creditors	65,280	23,262
Accrued expenses	34,589	57,000
	99,869	80,262

Note 11. Tax liabilities

Income tax payable	15,468	45,483
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Notes to financial statements continued

	2007 \$	2006 \$
Note 12. Provisions		
Employee provisions	50,024	51,032
Number of employees at year end	14	13

Note 13. Contributed equity

732,375 Ordinary shares (2006: 732,375)

Brought forward (1 July 2006)	607,871	659,137
Return of capital	-	(51,266)
Balance carried forward (30 June 2007)	607,871	607,871

Note 14. Retained earnings

Balance at the beginning of the financial year	78,795	(12,894)
Net profit from ordinary activities after income tax	117,779	91,689
Dividends Paid	(73,238)	-
Balance at the end of the financial year	123,336	78,795

Note 15. Statement of cashflows

Reconciliation of loss from ordinary activities after tax to
net cash provided by operating activities

Profit from ordinary activities after income tax	117,779	91,689
Non cash items:		
- depreciation	31,519	29,522
- amortisation	15,996	12,666
Changes in assets and liabilities:		
- increase in receivables	(17,029)	(36,813)
- decrease in payables	(10,408)	(2,483)
- increase in other liabilities	16,325	11,804
Net cashflows provided by operating activities	154,182	106,385

Notes to financial statements continued

	2007	2006
	\$	\$
Note 16. Auditors' remuneration		
Amounts received or due and receivable by the Auditor of the Company for:		
- audit services (Andrew Frewin & Stewart)	4,000	3,500
- other services in relation to the entity	1,100	950
	5,100	4,450

Note 17. 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 Arthur John Kneebone

John Munro Lyle

Glenister Malcolm McGregor

Gordon Lovell Sampson

Ronald James Witney

John Preston (Appointed 2 November 2006, Deceased 27 May 2007)

The Company made payments of \$48,296 to Maxwell Kneebone for rental of the branch premises at Lang Lang and Koo Wee Rup. The terms and conditions of this rental arrangement are on a commercial basis. Max also contracted to the Company as a 'site Manager' during the completion of upgrade and extension work to the Pearcedale branch premises, he was paid \$1,925.

During the year the Board has made a resolution to pay Max Papley \$40,000 for services performed in his role as 'Executive Chairman'. During 2006/2007 Max invoiced the entity for \$10,000 for services performed as Executive Chairman.

During the year the Board has made a resolution to pay Tania Hansen \$15,000 for services performed in his role as 'Company Secretary', including but not limited to, corporate affairs administration, accounts liaison and other Company Secretarial duties. During 2006/2007 Tania was paid \$9,000 for her services performed as Company Secretary.

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.

Notes to financial statements continued

Note 17. Director and Related party disclosures (continued)

Directors shareholdings	2007	2006
Maxwell William Papley	30,250	5,250
Michael John Duff	30,000	30,000
Douglas Hugh Hamilton	9,100	9,100
Tania Lyn Hansen	500	500
Maxwell Arthur 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
John Preston (Appointed 2 November 2006, Deceased 27 May 2007)	44,000	44,000

Each share held is valued at \$1.

	2007	2006
	\$	\$

Note 18. Earnings per share

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

Basic earnings per share

Profit attributable to the ordinary share holders of the Company used in calculating basic earnings per share	117,779	91,689
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	2007	2006
	Number	Number

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

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	732,375	732,375
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Notes to financial statements continued

	2007	2006
Note 19. Dividends paid or provided		
(a) Ordinary Shares		
Dividend for the year ended 30 June 2007 of 10 cents per fully paid share		
Unfranked - 10 cents per share	73,238	-
(b) Dividends not recognised at year end		
In addition to the above dividends, at the 4th of September 2007 Board meeting the Directors have recommended the payment of a final dividend of 14 cents per fully paid ordinary share, (2006 - 10 cents) fully franked based on tax paid at 30%. The aggregate amount proposed dividend expected to be paid on the 14th of December 2007 to shareholders holding shares on the 30th of November 2007 out of retained profits at 30 June 2007, but not recognised as a liability at year end.		
	102,533	73,238

Note 20. Events occurring after the balance sheet date

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

Note 21. Contingent liabilities

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

Note 22. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being of Lang Lang, Pearcedale, Koo Wee Rup, Narre Warren South and their surrounding districts of Victoria.

Note 23. 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 24. Segment reporting

	Total revenue		Profit from ordinary activities after income tax		Net assets	
	2007	2006	2007	2006	2007	2006
Geographic segments	\$	\$	\$	\$	\$	\$
Lang Lang	677,095	641,909	122,199	133,327	308,432	365,345
Pearcedale	654,852	563,105	117,699	126,911	189,126	158,083
Koo Wee Rup	396,296	274,206	(34,159)	(62,404)	50,143	54,823
Narre Warren South	408,580	254,823	(87,960)	(106,145)	60,458	108,415
Unallocated assets					123,048	-
Total	2,136,823	1,734,043	117,779	91,689	731,207	686,666

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 25. Financial instruments

Net fair values

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

Credit risk

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

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

Notes to financial statements continued

Note 25. Financial instruments (continued)

Interest rate risk

Financial instrument	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	161,518	186,450	-	-	-	-	-	-	-	-	0.05	0.05
Ethical investment	5,420	37,654	-	-	-	-	-	-	-	-	5.34	4.76
Receivables	-	-	-	-	-	-	-	-	167,996	150,968	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	99,869	80,262	N/A	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 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.



Maxwell William Papley
Chairman



Tania Lyn Hansen
Secretary

Signed on 12 September 2007.

Independent audit report



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61-65 Bull Street
Bendigo VIC 3550
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Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Community Financial Services Victoria Limited

We have audited the accompanying financial report of Community Financial Services Victoria 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 Community Financial Services Victoria Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Community Financial Services Victoria 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 12th day of September 2007

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 31 August 2007.

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. Garfield Super Fund	25,000	3.41%
5. Seventy Second Colro Pty Ltd	25,000	3.41%
6. Westernport Roadlines Super Fund	21,000	2.87%
7. Lyle Staff Super Fund	15,850	2.16%
8. Pauley Super Fund	11,235	1.53%
9. Witney Super Fund	11,200	1.53%
10. Colin Fell	10,250	1.40%

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 - 500	37	15,280
501 - 1,000	58	43,173
1,001 - 5,000	86	195,587
5,001 - 10,000	38	239,800
10,001 - 100,000	10	238,535
100,001 and over	0	0
Total	229	732,375

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

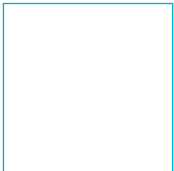
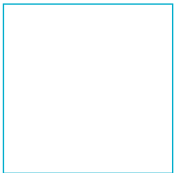
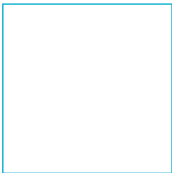
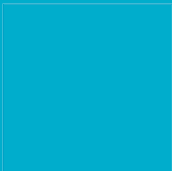
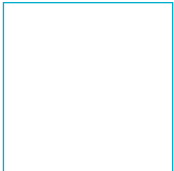
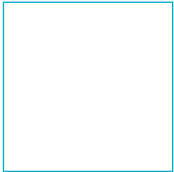
In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

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.

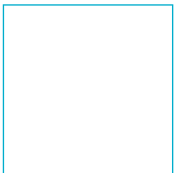
6. Address and telephone number of the Office which the securities register is kept:

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



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 Village Shopping Centre, Baxter Tooradin Road, Pearcedale, VIC 3912
Phone: (03) 5978 7566 Fax: (03) 5978 7572



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

Narre Warren Branch
Shop 8 Amberly Park Shopping Centre, 101 Seekbeck Drive, Narre Warren South, VIC 3805
Phone: (03) 8790 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, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR7029) (09/07)