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Chairman's report

For year ending 30 June 2007

I am pleased to be able to present the fifth Annual Report for our Company for the year ended 30 June 2007. It has been a busy year for Tuggeranong Valley Financial Services and I take this opportunity to invite shareholders to attend the Annual General Meeting to be held on 31 January 2008.

Our Company has built on the success of our first profitable years and we have generated more substantial profit out of our trading activities. Our operations for the year generated a profit of \$242,960. This has reduced our total carried forward losses to \$48,592.

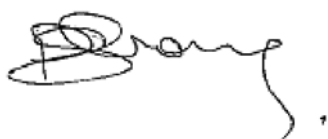
As a result we are able to increase the dividend to shareholders to \$0.045/share (unfranked), an increase of 28.6% from the previous payment. This will be paid on or before 29 February. This is a modest amount but is important recognition of the vital role our shareholders have made in providing the capital base to fund the establishment and early trading activities of our two branches. We expect the dividend to continue to grow.

Your Board was also pleased to be able to continue a program of returning profits to our community by way of Community Contributions. The total amount we have provided to the community in the last twelve months is over \$40,000. These contributions have included:

- continued support to ACT Respite Care in providing holidays for high-dependency clients supported by their paid carers;
- the very successful weekly Bob's Breakfast at Isabella Plains Primary School;
- continuing support for the George Gregan Foundation at the Canberra Hospital;
- ACT Blind Society – new photocopier
- Communities @ Work – celebration of family event sponsorship
- ACT Scouts

As well as these major projects we also continue to fund a range of other smaller community projects such as the Richardson Primary School art show, BMW Car Club, MS Society, Theodore Primary School trivia night and other school-based activities.

I again take this opportunity to thank our account holders, shareholders, staff members and my Board colleagues for their ongoing support of the Calwell and Wanniasa **Community Bank**[®] Branches.



Peter Strong
Chairman

Chief executive officer's report

For year ending 30 June 2007

The **Community Bank**[®] branches at Calwell and Wanniasa are nearing five years of age.

We have now accumulated \$110 million in assets and are nearing 7600 account holders. We are continuing to increase this figure by approximately 50 new account holders on a weekly basis.

Since my last report to shareholders in the 2006 Annual Report, the business has grown by \$16 million, and account holders by 850.

We continue to grow at a steady rate, and I am sure that this trend will continue in the years to come.

During the year we had a number of branch staff move on, and we also welcomed seven new staff members to our branch teams. Whilst undergoing the process of selecting and employing new staff, we also took the opportunity to introduce a new staff structure. This new structure will place us in good stead for future growth, and ensure that we can continue to provide excellent customer service at all levels.

The new staff are:

Christopher Evans - Newly created Customer Relationship Officer

Tristina Ryan

Nicole Salkeld

Alex Miller

Allison Cottam

Sheree Kent

Naomi Dinning

These new staff complement our existing staff:

Helen Wallace

Warwick Hotchkis

Rachael Puric

Sue Bowden

I would like to thank all staff, who continue to provide excellent customer service and extol the virtues of banking with the Bendigo.



Ray Haley

Chief Executive Officer

Bendigo Bank Ltd report

For year ending 30 June 2007

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

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

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

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

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

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

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

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

Bendigo Bank participates in the development of the **Community Bank**[®] concept with an enormous sense of pride.

We are indeed fortunate to be your partner and look forward to celebrating 10 years of the **Community Bank**[®] concept in 2008.



Chris Bone

Directors' report

For year ending 30 June 2007

In respect of the year ended 30 June 2007, the Directors of Tuggeranong Valley Financial Services Limited submit the following report of the Company made out in accordance with a resolution of the Directors:

1. Names of Directors

The names of the Directors who have been in office for the whole of the financial year and the period up to the date of this report, except as otherwise noted below, are as follows:

| | | | |
|-------------|----------------------|---------------|-------------------------|
| P Strong | Chairman | M Porreca | |
| M Coleman | Ex Chairman | L Prior | |
| W Simpson | Resigned (July 2007) | S Proctor | Resigned (July 2007) |
| G Kelly | | K Saxby-Junna | Resigned (Nov 2006) |
| R Kingsbury | | J Hinder | Commenced 6 August 2007 |

2. Principal activities

The principal activity of the Company is to operate **Community Bank**[®] branches of the Bendigo Bank under a franchise arrangement. No significant change in the nature of these activities occurred during the year.

3. Trading results

The profit of the Company for the year ended 30 June 2007 was \$242,960 (2006: \$85,873).

4. Review of operations

The Company commenced operations during the 2003 financial year and has continued to expand its revenue base. The Company is still developing new business and is now in the process of recovering capital invested in its start up. The Company realised a profit of \$242,960 (2006: \$85,873) for the year ended 30 June 2007. The Company's results are consistent with the expectations of the Directors.

5. Financial position

The Company consolidated its financial position during the year. It is now generating monthly profits and shareholder equity is increasing each month. The Company is able to fund working capital requirements through normal operations. The Company is considered to be in a sound and improving financial position and has reserved the funds required for franchise renewal due in December 2007. Sufficient reserves are also held to cover refurbishment of the branches in the second half of 2007 and to enable expansion of the Community Contributions scheme which was established during the 2006/07 financial year.

6. Future developments, prospects and business strategies

The Company is still growing its banking business and expects to grow the business by approximately 13% in the coming financial year. The strategy for the coming 12 months is to continue to consolidate

Directors' report continued

the business, use accumulated profits to replenish cash reserves with a view to declaring a dividend for shareholders and expanding the community grants scheme. The prospects for the Company are good as the Bendigo Bank network continues to grow. A Bendigo Bank owned branch is to be established in Belconnen. There is also interest from other community groups in the ACT who wish to set up their own **Community Bank®** branches.

7. Dividends

A dividend of 3.5 cents was paid during the financial year.

8. Likely developments

The Board looks forward to continued healthy growth for the business in the coming year.

9. Share options and prices

No options over issued shares or interests in the Company have been granted during or since the end of the financial year and there are no options outstanding at the date of this report.

10. Directors details

Peter Strong – Chairman

- Owns and operates Smiths Alternative Bookshop in the CBD of Canberra
- Member of the Australian Institute of Training and Development
- Also operates a consulting business involved with the community capacity building, human resource management and research activities for Australian Government departments, community based organisations, the World Bank and the United Nations
- Past member of various community based committees and boards including education centres, skills and employment organisations and private hospitals
- Member of the Human Resources Committee

Jayson Hinder – Deputy Chairman

- Solicitor and Barrister, partner Bradley Allen Lawyers
- Degrees in Law and Political Science – ANU
- Vice President North Canberra Futsal
- Member Futsal Standing Committee – Capital Football
- Member Law Society ACT – Property Committee
- Member – Property Council of Australia – ACT Residential Property Committee
- Past member of Minister's advisory group – Multi-unit Developments
- Past Director Canberra Stadium
- Past Chair Phillip Oval Redevelopment Committee

Directors' report continued

Matthew Coleman

- Agricultural Scientist and Agricultural Economist, employed as a Senior Manager, Export Wheat Commission
- 1994 Awarded Chevening Scholarship
- 2001 Participant in Australia-Britain Young Leaders Forum (Centenary of Federation Event)
- Member of the Governance Committee and Human Resource Committees
- 500 ordinary shares are held in the Company by the Director

George Kelly

- Real Estate Agent and life member of Real Estate Institute of the ACT for over 30 years
- Member of Canberra Valley Lions Club for over 37 years
- Awarded Malvern Jones Fellow from Lions International in 1991
- Awarded Order of Australia 1997
- Member of Marketing, Sponsorship and Business Development Committee
- 501 ordinary shares are held in the Company by the Director and related parties

Ronald Kingsbury

- Chairman of Lions Youth Haven Inc.
- Chairman of Respite Care ACT Inc.
- Member of Canberra Woden Lions Club
- Past District Governor Lions Clubs International
- Life Member Lions Clubs International
- Past Board Member of Community Organisations, Council on the Ageing, Handy Help ACT Inc., Carers Association ACT Inc.
- Awarded Order of Australia 2003
- Member of the Audit and Governance Committees

Maria Porreca

- Company Director, Porreca Homes Pty Limited
- Involved in building industry in ACT for over 30 years
- Member of Audit Committee
- 1,001 ordinary shares are held in the Company by the Director and related parties

Directors' report continued

Lance Prior

- Club Manager, Eastlake Football Club Ltd
- 19 Years experience in ACT Club Industry, including management of Community Engagement activities and Community Grants Schemes
- Chairman of the Marketing, Sponsorship and Business Development Committee

Susan Proctor (Resigned July 2007)

- Solicitor and partner Bradley Allen Lawyers
- Member of the Property Council of Australia serving on the Planning and Marketing Committees
- Chair of the Human Resource Committee

Kerry Saxby-Junna (Resigned November 2006)

- Three times Australian Olympic Representative (Walking)
- Two times Commonwealth Games Representative (gold and silver medals)
- World Indoor Champion and World Championship Medallist
- Awarded Order of Australian 1992
- Former Australian Sports Person of the Year and other awards
- Member of the Marketing, Sponsorship and Business Development Committee

Wayne Simpson – Secretary/Treasurer (Resigned July 2007)

- Consultant with 20 years experience in banking and small business
- Member of the Australian Institute of Company Directors
- Member of Governance Committee, Marketing Sponsorship and Business Development Committee
- Member of Board of Respite Care ACT Inc.
- Member of Board Hartley Lifecare Inc.
- Employed by Bendigo Bank Limited as Regional Manager for South West NSW
- 2,501 ordinary shares are held in the Company by the Director and a related entity

Company Secretary

Sally Hudson, Board Executive Assistant

- 20 years experience in Government and Educational administration.

Directors' report continued

11. Remuneration report

In setting the remuneration policy of Tuggeranong Valley Financial Services Ltd, the Board recognises the Company has been formed to govern the **Community Bank**[®] branches as it returns banking services to the community, provides a return to community projects and the shareholders who contributed the initial capital.

The legal and moral obligations of the Board are onerous, as is the time contributed by the Board on the ongoing governance of the Company. In recognition of this, the Board may be remunerated for its efforts, at the Board's discretion.

The remuneration will be subject to the following:

- Consultation with shareholders prior to a recommendation being made by the Board.
- The amount payable to Directors being ratified by shareholders at the Annual General Meeting.
- Directors' remuneration is made in line with the philosophies of the **Community Bank**[®] concept.

The remuneration for the specified executive is arrived at after consultation with Bendigo Bank and is set in line with the employees peers in the bank network. At this stage performance payments are not a part of the remuneration package however the use of this form of remuneration may be considered in the future.

The remuneration for each Director and each of the Executive Officers of the Company during the year was as follows:

| Directors | Salary, fees & commissions | Super- annuation contributions | Cash bonus | Non-cash benefits | Total |
|---------------|----------------------------------|--------------------------------------|---------------|----------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ |
| M Coleman | 500 | Nil | Nil | 427 | 927 |
| G Kelly | 500 | Nil | Nil | 426 | 926 |
| R Kingsbury | 500 | Nil | Nil | 426 | 926 |
| M Porreca | 500 | Nil | Nil | 427 | 927 |
| L Prior | 500 | Nil | Nil | 426 | 926 |
| S Proctor | Nil | Nil | Nil | 426 | 426 |
| K Saxby-Junna | Nil | Nil | Nil | 426 | 426 |
| W Simpson | 6,000 | Nil | Nil | 426 | 6,426 |
| P Strong | 500 | Nil | Nil | 426 | 926 |
| | 9,000 | Nil | Nil | 3,836 | 12,836 |

Directors' report continued

| Specified Executives | Salary, fees & commissions \$ | Super- annuation contributions \$ | Cash bonus \$ | Non-cash benefits \$ | Total \$ |
|----------------------|--|--|---------------------|----------------------------|---------------|
| R Haley | 80,368 | 7,232 | Nil | 426 | 88,026 |
| | 80,368 | 7,232 | Nil | 426 | 88,026 |

Employment contracts of Directors and senior Executives

During the financial year payments totaling \$5,500 were made to Director - Wayne Simpson, through his Company, Contract Service Solutions (Aust) Pty Ltd, for management consulting services provided under normal terms and conditions. The Company pays \$500 per month for these services and they may be terminated at anytime without notice.

During the financial year, payments totaling \$3,465 were made to Bradley Allen Solicitors, a firm which Susan Proctor is a partner, for legal services.

Other than the payments to Contract Service Solutions (Aust) Pty Ltd or Bradley Allen Solicitors, there are no formal contracts with the Company to which a Director is a party or receives a benefit.

The employment conditions of Ray Haley are formalised in a contract of employment and he is a permanent employee of the Company. The contract has no specified duration. The contract specifies a notice period in accordance with the Workplace Relations Act 1996. Termination payments are also in terms of the same Act.

Share prices

The share price of the Company on 30 June 2007 was \$1.00. The Company's highest and lowest prices in the year end 30 June 2007 were \$1.25 (1 July 2006) and \$0.90 (16 October 2006) respectively.

12. Board meetings

The Board met on 11 occasions during the year ended 30 June 2007. The number of meetings attended by each Director while in office was:

| Name of Director | No of meetings eligible to attend | No of meetings attended |
|------------------|-----------------------------------|-------------------------|
| M Coleman | 11 | 9 |
| G Kelly | 11 | 10 |
| R Kingsbury | 11 | 8 |
| M Porreca | 11 | 11 |
| L Prior | 11 | 10 |
| S Proctor | 11 | 9 |
| K Saxby-Junna | 5 | 3 |
| W Simpson | 11 | 8 |
| P Strong | 11 | 10 |

Directors' report continued

13. Committee meetings

The Board members also participate on various committees. Details of the number of meetings attended by each Director while in office was:

| Name of Director | Audit committee | | Governance committee | | Marketing sponsorship and business development committee | | Human resources committee | |
|------------------|------------------------|------------------------|------------------------|------------------------|--|------------------------|---------------------------|------------------------|
| | # of eligible meetings | # of meetings attended | # of eligible meetings | # of meetings attended | # of eligible meetings | # of meetings attended | # of eligible meetings | # of meetings attended |
| M Coleman | - | - | - | - | - | - | 2 | 2 |
| G Kelly | - | - | - | - | 10 | 10 | - | - |
| R Kingsbury | 1 | 1 | - | - | 1 | 1 | - | - |
| M Porreca | 1 | 1 | - | - | 2 | 2 | - | - |
| L Prior | - | - | - | - | 10 | 10 | - | - |
| S Proctor | - | - | - | - | - | - | 2 | 2 |
| K Saxby-Junna | - | - | - | - | 5 | 4 | - | - |
| W Simpson | 1 | 1 | - | - | 8 | 6 | - | - |
| P Strong | - | - | - | - | - | - | 2 | 2 |

14. Events subsequent to balance date

Since the end of the year the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

15. Insurance of officers

During the financial year a premium of \$4,262.50 (2006: \$4,715) was paid to insure the Directors and Officers of the Company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

16. Company information

Tuggeranong Valley Financial Services Limited is incorporated under the Corporations Act 2001 as a public Company limited by shares. The Company's ordinary shares are quoted on the Bendigo Stock Exchange. The Company is incorporated and domiciled in Australia. Its registered office is c/- Bradley Allen Lawyers, Level

Directors' report continued

9, Canberra House, 40 Marcus Clarke Street, Canberra City, ACT and its principal places of business are located at Unit 13 & 14, Wanniasa Shopping Centre, Sangster Place, Wanniasa, ACT and Shop 19, Calwell Shopping Centre, Weber Crescent, Calwell, ACT. At 30 June 2007 the Company had 10.5 (2006: 9) full time equivalent employees.

17. Non-Audit services

The Auditor did not provide any non-audit services to the Company during the financial year.

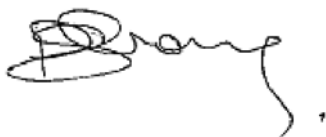
18. Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this Directors' Report.

19. Changes in the state of affairs

There were no significant changes in the Company's state of affairs during the period.

Signed at Canberra, 24 December 2007, in accordance with a resolution of the Board of Directors.



Peter Strong
Chairman



Jayson Hinder
Deputy Chairman

Auditor's independence declaration

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
TUGGERANONG VALLEY FINANCIAL SERVICES LIMITED
ABN 77 100 097 443**

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

- i. no contraventions of the Auditor independence requirements of the Corporations Act in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



Duesburys Nexia



**R C Scott
Partner**

Canberra, 24 December 2007

Financial statements

Balance sheet

As at 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 3 | 337,273 | 82,098 |
| Trade and other receivables | 4 | 117,889 | 94,591 |
| Total current assets | | 455,162 | 176,689 |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 243,854 | 269,641 |
| Other assets | 6 | 4,584 | 31,426 |
| Total non-current assets | | 248,438 | 301,067 |
| Total assets | | 703,600 | 477,756 |
| Current liabilities | | | |
| Trade and other payables | 7 | 88,418 | 61,039 |
| Borrowings | 8 | 1,521 | 16,314 |
| Provisions | 9 | 36,853 | 28,283 |
| Total current liabilities | | 126,792 | 105,636 |
| Non-current liabilities | | | |
| Trade and other payables | 7 | 27,024 | 30,016 |
| Total non-current liabilities | | 27,024 | 30,016 |
| Total liabilities | | 153,816 | 135,652 |
| Net assets | | 549,784 | 342,104 |
| Equity | | | |
| Issued capital | 10 | 1,008,007 | 1,008,007 |
| Accumulated losses | | (458,223) | (665,903) |
| Total equity | | 549,784 | 342,104 |

The accompanying notes form part of these financial statements.

Financial statements continued

Income statement

For year ending 30 June 2007

| | Note | 2007 \$ | 2006 \$ |
|--|------|---------------|-----------------|
| Revenues from ordinary activities | 2 | 423,510 | 343,803 |
| Employee benefits expense | 3 | (194,869) | (184,711) |
| Depreciation and amortisation expense | 3 | (40,232) | (39,758) |
| Finance costs | 3 | (3,798) | (6,012) |
| Administration & other expenses from ordinary activities | | (168,457) | (149,982) |
| Profit/(loss) before income tax expense | | 16,154 | (36,660) |
| Income tax (expense) / benefit | 4 | (14,315) | 917 |
| Profit/(loss) after income tax expense | | 1,839 | (35,743) |
| Earnings per share (cents per share) | | | |
| - Basic for profit / (loss) for the year | 23 | 0.28 | (5.50) |
| - Diluted for profit / (loss) for the year | 23 | 0.28 | (5.50) |
| - Dividends paid per share | 22 | - | - |

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 \$ |
|---------------------------------------|------|------------------|------------------|
| Issued capital | | | |
| Balance at the beginning of the year | | 1,008,007 | 1,008,007 |
| Shares issued during the year | | - | - |
| Balance at the end of the year | | 1,008,007 | 1,008,007 |
| Accumulated losses | | | |
| Balance at the beginning of the year | | (665,903) | (751,776) |
| Profit/(loss) for the year | | 242,960 | 85,873 |
| | | (422,943) | (665,903) |
| Dividends paid | 22 | (35,280) | - |
| Balance at the end of the year | | (458,223) | (665,903) |

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 and others | | 1,262,432 | 1,007,826 |
| Interest received | | 3,121 | 411 |
| Payments to suppliers and employees | | (957,991) | (889,299) |
| Finance costs | | (589) | (1,091) |
| Net cash provided by (used in) operating activities | 11(b) | 306,973 | 117,847 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,725) | - |
| Net cash provided by (used in) investing activities | | (1,725) | - |
| Cash flows from financing activities | | | |
| Dividends paid | | (35,280) | - |
| Repayment of lease liabilities | | (12,071) | (4,591) |
| Net cash provided by (used in) financing activities | | (47,351) | (4,591) |
| Net increase/(decrease) in cash | | 257,897 | 113,256 |
| Cash at the beginning of financial year | | 77,855 | (35,401) |
| Cash at the end of financial year | 11(a) | 335,752 | 77,855 |

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

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

Tuggeranong Valley Financial Services Limited (the Company) is a public Company limited by shares, incorporated and domiciled in Australia. The financial report covers the Company as an individual entity. The Company's ordinary shares are quoted on the Bendigo Stock Exchange.

The financial report of the Company complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

A number of Australian Accounting Standards have been issued or amended prior to the date of this report but are only applicable to future reporting periods and accordingly have not been applied in preparing this financial report, including AASB7 "Financial Instruments: Disclosures", AASB7 which modifies the detailed disclosures concerning the financial instruments.

The Directors are of the opinion that when the relevant Accounting Standards are first applied, there will be no material impact on the accounting policies of the Company and no material impact on the income statement or balance sheet of the Company.

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

Basis of preparation

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies

a. Income tax

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

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

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

a. Income tax (continued)

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

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

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

b. Property, plant and equipment

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

Where a revaluation has been performed, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs (eg. repairs and maintenance) are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity. All other decreases are charged to the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

b. Property, plant and equipment (continued)

Depreciation

The depreciable amounts of all fixed assets including capitalised leased assets are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

c. Capitalised costs

Costs incurred to establish the business and franchise arrangements are capitalised and amortised on a straight line basis over the period in which the benefits are realised from the costs incurred. The capitalised costs are amortised over a period of 5 years.

d. Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated over their estimated useful lives.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

e. Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the intention to hold these investments to maturity. Any held-to-maturity investments held are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, an assessment is made of whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

f. Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is estimated.

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

g. Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. The benefits expected to be settled within one year to employees for their entitlements have been measured at the amounts expected to be paid including on-costs and are disclosed as current liabilities. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made in respect of those benefits. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

h. Provisions

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

i. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

j. Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

k. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l. Comparatives

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

Notes to financial statements continued

Note 1. Summary of significant accounting policies (continued)

I. Comparatives (continued)

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

The Directors do not believe that there were any key estimates or key judgements used in the development of the financial report that give rise to a significant risk of material adjustment in the future.

| | 2007 | 2006 |
|--|------|------|
| | \$ | \$ |

Note 2. Income tax expense

(a) The components of tax expense are:

| | | |
|-------------------------------------|----------|----------|
| Current tax | 89,002 | 33,624 |
| Deferred tax | (3,947) | (1,879) |
| Tax losses not recognised | - | - |
| Tax losses recouped | (89,002) | (33,624) |
| Temporary difference not recognised | 3,947 | 1,879 |
| | - | - |

(b) The amount of income tax attributable to the financial year differs from the amount prima facie payable on the profit/ (loss) for the year.

The differences are reconciled as follows:

| | | |
|---|----------|----------|
| Prima facie income tax expense/(benefit) on profit/(loss) from ordinary activities at 30% (2005: 30%) | 72,888 | 25,762 |
| Tax effect of permanent differences | 12,167 | 5,983 |
| Tax effect of temporary differences not recognised | 3,947 | 1,879 |
| Tax effect of tax losses recouped | (89,002) | (33,624) |
| | - | - |

Notes to financial statements continued

| | 2007 | 2006 |
|--|------|------|
| | \$ | \$ |

Note 2. Income tax expense (continued)

(c) Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

| | | |
|----------------------|---------------|----------------|
| Tax losses | 65,350 | 154,473 |
| Temporary difference | 15,882 | 14,646 |
| | 81,232 | 169,119 |

The benefits from these deferred tax assets will only be recognised in accordance with the accounting policy outlined in Note 1a.

Note 3. Cash and cash equivalents

| | | |
|--------------|----------------|---------------|
| Cash on hand | 1,011 | 806 |
| Cash at bank | 336,262 | 81,292 |
| | 337,273 | 82,098 |

Note 4. Trade and other receivables

| | | |
|----------------------|----------------|---------------|
| Trade debtors | 117,889 | 94,591 |
|----------------------|----------------|---------------|

Note 5. Property, plant and equipment

| | | |
|---------------------------------|----------------|----------------|
| Fixtures and fittings – at cost | 343,158 | 341,433 |
| Less accumulated depreciation | (106,333) | (83,293) |
| | 236,825 | 258,140 |
| Leased motor vehicle – at cost | 26,739 | 26,739 |
| Less accumulated depreciation | (19,710) | (15,238) |
| | 7,029 | 11,501 |
| | 243,854 | 269,641 |

Notes to financial statements continued

Note 5. Property, plant and equipment (continued)

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

| 2007 | Balance at beginning of year | Additions | Disposals | Depreciation expense | Carrying amount at end of year |
|-----------------------|-------------------------------------|------------------|------------------|-----------------------------|---------------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Fixtures and fittings | 258,140 | 1,725 | - | (23,040) | 236,825 |
| Leased motor vehicle | 11,501 | - | - | (4,472) | 7,029 |
| | 269,641 | 1,725 | - | (27,512) | 243,854 |

| 2006 | Balance at beginning of year | Additions | Disposals | Depreciation expense | Carrying amount at end of year |
|-----------------------|-------------------------------------|------------------|------------------|-----------------------------|---------------------------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Fixtures and fittings | 281,206 | - | - | (23,066) | 258,140 |
| Leased motor vehicle | 15,973 | - | - | (4,472) | 11,501 |
| | 297,179 | - | - | (27,538) | 269,641 |

(b) Depreciation rates and methods

| Class of asset | Useful life | Depreciation method |
|-----------------------|--------------------|----------------------------|
| Fixtures and fittings | 4 to 15 years | Straight line |
| Leased motor vehicle | 6 years | Straight line |

Notes to financial statements continued

| | 2007 \$ | 2006 \$ |
|--|--------------|---------------|
| Note 6. Other assets | | |
| Franchise and business establishment costs | 134,208 | 134,208 |
| Less accumulated amortisation | (129,624) | (102,782) |
| | 4,584 | 31,426 |
| Movement in carrying amounts | | |
| Balance at the beginning of the year | 31,426 | 58,194 |
| Additions | - | - |
| Disposals | - | - |
| Amortisation for the year | (26,842) | (26,768) |
| Balance at the end of the year | 4,584 | 31,426 |

Note 7. Trade and other payables

Current

| | | |
|------------------------------|---------------|---------------|
| Trade creditors and accruals | 58,734 | 44,207 |
| Net GST payable | 26,684 | 13,832 |
| Lease incentive | 3,000 | 3,000 |
| | 88,418 | 61,039 |

Non-current

| | | |
|------------------------|---------------|---------------|
| Lease incentive | 27,024 | 30,016 |
|------------------------|---------------|---------------|

Note 8. Borrowings

Current

| | | |
|----------------------------------|--------------|---------------|
| Bank overdraft/credit facilities | 1,521 | 4,243 |
| Lease liabilities (Note 15) | - | 12,071 |
| | 1,521 | 16,314 |

Non-current

| | | |
|------------------------------------|---|---|
| Lease liabilities (Note 15) | - | - |
|------------------------------------|---|---|

Notes to financial statements continued

Note 8. Borrowings (continued)

Lease liabilities are secured by the assets under lease.

The bank overdraft was not secured. The Company has a credit card facility of \$5,000 (2006: \$5,000). \$3,479 of this facility is unused at 30 June 2007 (2006: \$757).

| | 2007 | 2006 |
|--|------|------|
| | \$ | \$ |

Note 9. Provisions

Current

| | | |
|---------------------------------|--------|--------|
| Provision for employee benefits | 36,853 | 28,283 |
|---------------------------------|--------|--------|

Note 10. Issued capital

| | | |
|--|------------------|------------------|
| 1,008,007 (2006: 1,008,007) fully paid ordinary shares | 1,008,007 | 1,008,007 |
| Shares issued during the year | - | - |
| 1,008,007 shares at the end of the year | 1,008,007 | 1,008,007 |

Ordinary shares participate in dividends and the proceeds on winding up in proportion to the number of shares held, subject to certain distribution limits contained in the Franchise Agreement with Bendigo Bank.

At shareholder meetings each person present as a member, attorney, and corporate representative or by proxy, has one vote regardless of the number of shares held.

The Company has no specified authorised share capital and ordinary shares have no par value.

| | 2007 | 2006 |
|--|------|------|
| | \$ | \$ |

Note 11. Cash flow information

a) Reconciliation of cash

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

| | | |
|----------------------------------|----------------|---------------|
| Cash at bank | 336,262 | 81,292 |
| Bank overdraft/credit facilities | (1,521) | (4,243) |
| Cash on hand | 1,011 | 806 |
| | 335,752 | 77,855 |

Notes to financial statements continued

| | 2007 | 2006 |
|---|----------------|----------------|
| | \$ | \$ |
| Note 11. Cash flow information (continued) | | |
| b) Reconciliation of net cash flows from operating activities to profit/(loss) | | |
| Profit/(loss) for the year | 242,960 | 85,873 |
| Amortisation | 26,842 | 26,768 |
| Depreciation | 27,512 | 27,538 |
| Increase/(decrease) in provisions | 8,570 | 4,575 |
| (Increase)/decrease in trade and other receivables | (23,298) | (19,700) |
| Increase/(decrease) in trade and other payables | 24,387 | (7,207) |
| | 306,973 | 117,847 |

c) Non-cash financing activities

There were no non-cash financing activities during the year ended 30 June 2007 (2006: \$nil).

Note 12. Segment information

The Company operates in the financial services industry within the Australian Capital Territory.

Note 13. Financial instruments

(a) Terms, conditions and accounting policies

The accounting policies and terms and conditions of each class of financial asset, financial liability and equity instrument at the balance date are consistent with those regularly adopted by businesses in Australia.

(b) Financial risk management

The financial instruments consist mainly of deposits with banks, short term investments and accounts receivable and payable. The Company does not trade or speculate in derivatives.

The main purpose of the financial instruments is to raise funds for normal activities and invest excess funds in an appropriate manner.

Financial risk

The main risks the entity is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk. The entity is not exposed to foreign currency risks or material price risks.

Notes to financial statements continued

Note 13. Financial instruments (continued)

(b) Financial risk management (continued)

Liquidity risk

The liquidity risk is managed by monitoring forecast cash flows and ensuring that adequate short term funds are maintained.

Credit risk

The maximum exposure to credit risk at balance date in respect of recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. This risk is monitored and managed by management reviewing financial assets and ensuring collections are made on a timely basis and that unacceptable concentrations of credit risk are avoided.

Interest rate risk

The entity's exposure to interest rate risk is managed by the entity reviewing the interest rate profile, current interest rates and the market outlook, and taking action as necessary to ensure that risk levels are maintained at a satisfactory level. The entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

| | Floating interest rate | | Fixed interest rate (less than 1 year) | | Fixed interest rate (1 to 5 years) | | Non interest bearing | | Total | |
|--------------------------------|---------------------------------------|---------------|---|---------------|---|-------------|-------------------------------------|---------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | | | | | |
| Cash and cash equivalents | 109,956 | 46,039 | 226,306 | 35,253 | - | - | 1,011 | 806 | 337,273 | 82,098 |
| Trade and other receivables | - | - | - | - | - | - | 117,889 | 94,591 | 117,889 | 94,591 |
| | 109,956 | 46,039 | 226,306 | 35,253 | - | - | 118,900 | 95,397 | 455,162 | 176,689 |
| Weighted average interest rate | 0.05% | 0.05% | 6.25% | 4.65% | - | - | n/a | n/a | | |

Notes to financial statements continued

Note 13. Financial instruments (continued)

(b) Financial risk management (continued)

| | Floating interest rate | | Fixed interest rate (less than 1 year) | | Fixed interest rate (1 to 5 years) | | Non interest bearing | | Total | |
|---|------------------------------|--------------|---|---------------|--|------------|----------------------------|---------------|----------------|----------------|
| | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ | 2007 \$ | 2006 \$ |
| Financial liabilities | | | | | | | | | | |
| Trade and other payables | - | - | - | - | - | - | 58,734 | 44,207 | 58,734 | 44,207 |
| Borrowings | 1,521 | 4,243 | - | - | - | - | - | - | 1,521 | 4,243 |
| Lease Liabilities | - | - | - | 12,071 | - | - | - | - | - | 12,071 |
| | 1,521 | 4,243 | - | 12,071 | - | - | 58,734 | 44,207 | 60,255 | 60,521 |
| Weighted average interest rate | | | | | | | | | | |
| | 17.4% | 16.9% | - | 7.0% | - | - | n/a | n/a | | |
| Net financial assets/(liabilities) | | | | | | | | | 394,907 | 116,168 |

(c) Net fair values

Financial assets and financial liabilities are carried at their net fair value at balance date. The carrying value of financial assets and financial liabilities approximates their net fair values due to their short terms to maturity or market interest rates. No financial assets or financial liabilities are traded on organised markets in standardised form.

| | 2007 \$ | 2006 \$ |
|--|------------|------------|
|--|------------|------------|

Note 14. Auditors' remuneration

Remuneration of the Auditor of the Company for:

| | | |
|----------------------------------|---------------|---------------|
| - audit of financial report | 14,500 | 11,300 |
| - review of the financial report | 5,500 | 8,000 |
| - wages declaration audit | - | 400 |
| | 20,000 | 19,700 |

Notes to financial statements continued

| | 2007 \$ | 2006 \$ |
|---|------------|---------------|
| Note 15. Capital & leasing commitments | | |
| a) Finance lease commitments | | |
| Payable | | |
| - not later than 1 year | - | 12,572 |
| - later than 1 year but not later than 5 years | - | - |
| Minimum lease payments | - | 12,572 |
| Less future finance charges | - | (501) |
| Total lease liabilities | - | 12,071 |
| Represented by | | |
| - Current liability | - | 12,071 |
| - Non-current liability | - | - |
| | - | 12,071 |

The finance lease relates to the lease of a motor vehicle, which commenced in 2003. The lease is for 4 years with an option to purchase at the end of the term. Lease payments are paid monthly in advance. No contingent rental is payable and the liability is secured by the asset under lease.

b) Non-cancellable operating lease commitments

| | | |
|--|---------------|---------------|
| Payable | | |
| - not later than 1 year | 20,833 | 77,000 |
| - later than 1 year but not later than 5 years | - | 20,833 |
| Total non-cancellable lease commitment | 20,833 | 97,833 |

The operating leases relate to the premises at Calwell and Wanniasa. The Calwell lease is for a term of 15 years commencing 1 September 2002 with an initial non-cancellable period to 31 August 2007. The Wanniasa lease is for an initial term of 5 years commencing 1 December 2002, with two, five year options. Rent on both leases is payable monthly in advance. Contingent rental provisions within the lease agreements require lease payments to be increased either by CPI or to market in each year.

Note 16. Key management personnel

Key management personnel

Key management personnel is defined by AASB 124 "Related Party Disclosures" as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of the entity.

Notes to financial statements continued

Note 16. Key management personnel (continued)

The names and positions held by key management personnel in office at any time during the financial year were:

| Key management person | Position |
|------------------------------|---|
| P Strong | Chairman – Non-executive |
| J Hinder | Deputy Chairman – Non-executive (Appointed August 07) |
| M Coleman | Director – Non-executive |
| G Kelly | Director – Non-executive |
| R Kingsbury | Director – Non-executive |
| M Porreca | Director – Non-executive |
| L Prior | Director – Non-executive |
| S Proctor | Director – Non-executive (Resigned July 07) |
| K Saxby-Junna | Director – Non-executive (Resigned Nov 06) |
| W Simpson | Director - Company Secretary/Treasurer – Non-executive (Resigned July 07) |
| R Haley | Business Development Manager |

Key management personnel compensation

The compensation for each key management person of the Company was as follows:

| Key management person | Salary, fees & commissions | | Superannuation contributions | | Non-cash benefits* | | Total | |
|------------------------------|---------------------------------------|---------------|-------------------------------------|--------------|---------------------------|--------------|----------------|----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| M Coleman | 500 | 500 | - | - | 427 | 363 | 927 | 863 |
| R Haley | 80,368 | 78,966 | 7,232 | 7,106 | 426 | 363 | 88,026 | 86,435 |
| G Kelly | 500 | 500 | - | - | 426 | 363 | 926 | 863 |
| R Kingsbury | 500 | 500 | - | - | 427 | 363 | 927 | 863 |
| M Porreca | 500 | 500 | - | - | 426 | 363 | 926 | 863 |
| L Prior | 500 | 500 | - | - | 426 | 362 | 926 | 862 |
| S Proctor | - | 500 | - | - | 426 | 362 | 426 | 862 |
| K Saxby-Junna | - | 500 | - | - | 426 | 363 | 426 | 863 |
| W Simpson | 6,000 | 6,500 | - | - | 426 | 363 | 6,426 | 6,863 |
| P Strong | 500 | 500 | - | - | 426 | 363 | 926 | 863 |
| | 89,368 | 89,466 | 7,232 | 7,106 | 4,262 | 4,715 | 100,862 | 101,287 |

* Non-cash benefits relate to Directors' and officers' liability insurance paid on behalf of all Directors and officers of the Company.

Notes to financial statements continued

Note 16. Key management personnel (continued)

The salary, fees and commissions for Mr Wayne Simpson include payments totalling \$5,500 (2006: \$6,000) to a related entity, Contract Service Solutions (Aust) Pty Ltd for management consulting services provided under normal commercial terms and conditions. The Company pays \$500 per month for those services and they may be terminated at any time without notice.

The legal firm Bradley Allen Lawyers, of which Susan Proctor, Director, is a Partner, provides the registered office for the Company on normal commercial terms for an annual fee of \$500 (2006: \$295).

Other than the payments to Contract Service Solutions (Aust) Pty Ltd and Bradley Allen Lawyers, there are no formal contracts with the Company to which a Director is a party or receives a benefit.

The employment conditions of Mr Ray Haley are formalised in a contract of employment and he is a permanent employee of the Company. The contract has no specific duration.

The contract specifies a notice period in accordance with the Workplace Relations Act 1996. Termination payments are also in terms of the same Act.

Remuneration practices

In setting the remuneration policy of Tuggeranong Valley Financial Services Limited, the Board recognises the Company has been formed to govern the **Community Bank**[®] branch as it returns banking services to the community, provides contributions to community projects and the shareholders who contributed the capital.

The legal and moral obligations of the Board are onerous, as is the time contributed by the Board on the ongoing governance of the Company. In recognition of this, the Board may be remunerated for its efforts, at the Board's discretion. As the organisation matures and the demands on the time of the Directors increases, the prospect becomes more likely and appropriate.

The remuneration will be subject to the following:

- Consultation with shareholders prior to a recommendation being made by the Board.
- The amount payable to Directors being ratified by shareholders at the Annual General Meeting.
- Directors' remuneration is made in line with the philosophies of community banking.

The remuneration for the Business Development Manager is arrived at after consultation with Bendigo Bank and is set in line with the employee's peers in the bank network.

At this stage performance payments are not a part of the remuneration package however the use of this form of remuneration may be considered in the future.

Notes to financial statements continued

Note 16. Key management personnel (continued)

Shares held by key management personnel

The number of ordinary shares of the Company held by key management persons, or their related parties are as follows:

| | Balance 1/7/06 | Received as remuneration | Net change other* | Balance 30/6/07 |
|------------------------------|---------------------------|-------------------------------------|------------------------------|----------------------------|
| Key management person | | | | |
| M Coleman | 500 | - | - | 500 |
| G Kelly | 501 | - | - | 501 |
| R Kingsbury | - | - | - | - |
| M Porreca | 1,001 | - | - | 1,001 |
| L Prior | - | - | - | - |
| S Proctor | - | - | - | - |
| K Saxby-Junna | - | - | - | - |
| W Simpson | 2,501 | - | - | 2,501 |
| P Strong | - | - | - | - |
| R Haley | 600 | - | (600) | - |

* Net change other refers to shares purchased or sold during the financial year or movements due to a related party ceasing to be a related party.

Other transactions of key management personnel

There were no other transactions with key management personnel or their related entities other than for the reimbursement of costs incurred on behalf of the Company and banking transactions undertaken on normal commercial terms.

Note 17. Related party transactions

There were no related party transactions during the financial year apart from those relating to Key Management Personnel, which are separately disclosed in this report.

Notes to financial statements continued

| | 2007 | 2006 |
|--|-----------|-----------|
| | \$ | \$ |
| Note 18. Earnings per share | | |
| (a) Reconciliation of earnings to net profit or loss | | |
| Net Profit/(Loss) | 242,960 | 85,873 |
| Earnings used in the calculation of basic EPS | 242,960 | 85,873 |
| (b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS | | |
| | 1,008,007 | 1,008,007 |
| (c) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS | | |
| | 1,008,007 | 1,008,007 |

Note 19. Economic dependency

A significant portion of the income of the Company is obtained under the Franchise Agreement with Bendigo Bank.

Note 20. Contingent liabilities and contingent assets

The Company has no contingent liabilities or assets at the end of the financial year.

Note 21. Events after the balance sheet date

This financial report was authorised for issue by the Directors on the date of signing the attached Directors' Declaration. The Directors of the Company have the power to amend the financial statements after issue.

There are no other events after the balance sheet date which require amendment of, or further disclosure in, the financial report.

Note 22. Dividends

The Company declared and paid dividends of \$35,280 (2006: Nil) during the year. The dividends were paid out of current year's earnings and were fully unfranked.

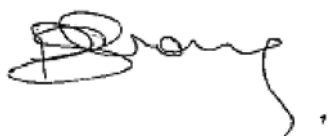
The Company paid 3.5c (2006: Nil) dividends per share during the period.

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 14 to 35, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company;
2. the persons performing the Chief Executive Officer and Chief Finance Officer functions have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Peter Strong
Chairman



Jayson Hinder
Deputy Chairman

Canberra, 24 December 2007

Independent audit report

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
TUGGERANONG VALLEY FINANCIAL SERVICES LIMITED
ABN 77 100 097 443**

We have audited the accompanying financial report of Tuggeranong Valley Financial Services Limited (the Company), 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 ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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 judgment, 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.

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

Independent audit report continued

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

- (a) the financial report of the Company 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 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.



Duesburys Nexia



R C Scott
Partner

Canberra, 24 December 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 30 June 2007.

1. Distribution of equity securities

| | Number of holders | Number of shares |
|------------------|--------------------------|-------------------------|
| 1 - 1,000 | 283 | 190,556 |
| 1,001 – 5,000 | 92 | 269,451 |
| 5,001 – 10,000 | 12 | 101,000 |
| 10,001 – 100,000 | 11 | 447,000 |
| 100,000 and over | 0 | 0 |
| | 398 | 1,008,007 |

There are currently 6 shareholders holding less than a marketable parcel of shares.

Their holdings total 106 shares.

2. Ten largest shareholders

The names of the ten largest shareholders of quotes shares are:

| | Listed ordinary shares | |
|--|-------------------------------|----------------------------------|
| | Number of shares | Percentage of shares held |
| AI & CI Pty Ltd ATF AI & CI Family | 90,000 | 8.93% |
| Balesost Pty Ltd ATF Cairns Super Fund | 80,000 | 7.94% |
| Muskdown Pty Ltd ATF Tall Super Fund | 70,000 | 6.94% |
| Tsoulias Group | 50,000 | 4.96% |
| Shorerain ATF Wright Super Fund | 40,000 | 3.97% |
| P Downing | 25,000 | 2.48% |
| R K Meyer | 20,000 | 1.98% |
| B Owers | 20,000 | 1.98% |
| J R Rivers and C Rivers | 20,000 | 1.98% |
| R & M Tall | 20,000 | 1.98% |
| Total | 435,000 | |

BSX report continued

3. Voting rights

Each shareholder has one vote, regardless of the number of shares held.

4. 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 formulated and adopted various policies and procedures governing the Company's activities and continues develop, extend and review its policies and procedures. This policy framework assists to clarify the future direction of our Company, provide accountability and transparency and ensure there are guiding principles in place for future decision-making.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise not less than three Directors and a maximum of 10; and
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

| Name | Position |
|-------------------------|-----------------|
| Peter James Strong | Chairman |
| Jayson Hinder | Deputy Chairman |
| Matthew John Coleman | Director |
| George William Kelly | Director |
| Ronald Alfred Kingsbury | Director |
| Maria Grazia Porreca | Director |
| Lance Prior | Director |

Board committees

The Board has the following committees:

- Audit committee; and
- Governance committee.

Board responsibilities

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring

BSX report continued

arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Board approval of a business plan, which encompasses the entity's vision, mission and values statements, designed to meet stakeholders' needs and manage business risk;
- The business plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for significant business processes; and
- Procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Monitoring of the Board's performance and communication to shareholders

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- Newsletters to shareholders;
- The annual report which is distributed to all shareholders; and
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

5. Name of Company Secretary

Wayne Joseph Simpson (resigned July 2007).

Sally Hudson (July 2007 to 13 December 2007).

Milica Vujic (effective 14 December 2007).

6. Address and telephone number of registered office

C/- Bradley Allen Lawyers, Level 9 Canberra House, 40 Marcus Clarke Street, Canberra, ACT 2600.

Phone (02) 6274 0999.

7. Address and telephone number of administrative office

Calwell **Community Bank**® Branch, Shop 19, Calwell Shopping Centre, Calwell, ACT 2905.

Phone (02) 6291 3385.

BSX report continued

8. Address and telephone number of office at which securities register is kept

Bendigo Bank Limited, Share Registry Office, Fountain Court, Bendigo, VIC 3553.

Phone (03) 5433 9339.

9. Trading history

The trading history for the year ended 30 June 2007 for the Tuggeranong Valley Financial Services Limited is available on the BSX website at www.bsx.com.au

