

2008 annual report



Contents

Chairman's report	2-3
Manager's report	4-5
Directors' report	6-11
Auditor's independence declaration	12
Financial statements	13-16
Notes to the financial statements	17-32
Directors' declaration	33
Independent audit report	34-35
BSX report	36-37

Chairman's report

For year ending 30 June 2008

Once again, it gives me great pleasure to report to Shareholders on behalf of the Board of Directors on Company performance and activity for the financial year ending 30 June 2008.

Pleasing results were once again achieved with growth and profit budgets, showing an increase in business of 13% and a rise in profit of 184%. Our contribution to Bendigo Community Enterprise Foundation for future distribution matched our 2006-07 contribution of \$300,000.

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.

A two-day strategic workshop was held in Melbourne in April, where the Board analyzed the previous 10 years of Company performance, both in an operational sense (business performance) and an administrative sense (Board and Director performance). The current strategic position and the future strategic direction of the Company was also discussed and debated at length.

One outcome regarding community benefit will see significant focus in supporting the youth of our communities over the next couple of years. The Board has agreed to partner the State Government in a Youth Victoria initiative by establishing a youth foundation in the Narre Warren South area. This will be our first project of any significance in this community.

We have also initiated a partnership program with all **Community Bank**[®] sites in Gippsland which will result in **Community Bank**[®] Youth Forums coming to our communities. These forums will focus upon Youth health issues such as youth suicide, youth depression and drug and alcohol dependence. The State Government through its Youth Victoria department has also expressed interest in partnering us in this initiative.

Discussions have also started with representatives from the Education Department with a view to providing electronic whiteboards to the primary schools in our communities as part of a 'signature project' grant to those schools.

The Tooradin and Coastal Villages campaign committee are very well advanced in their efforts to establish a **Community Bank**[®] branch in Tooradin and have moved to the feasibility study stage. The Tooradin branch will become the fifth branch of Community Financial Services Victoria and representation will be offered to members of the campaign committee to join our Board of Directors.

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.

Our Board of Directors has continued to provide dedicated service to our Company and their performance over the last decade was rewarded at the recent **Community Bank**[®] National Conference by the elevation of our Company into the **Community Bank**[®] Hall of Fame.

Chairman's report continued

Max Kneebone in his role of Convener of the Asset Management Committee has acted as project manager in the renovations recently conducted at Koo Wee Rup and Pearcedale branches. In this role Max has saved our Company many, many tens of thousands of dollars. Thank you Max.

Major renovations are now underway at Lang Lang and we are hoping for completion by the end of the year.

I must acknowledge the contribution made to our Company by our Company Secretary, Tania Hansen. The role of Company Secretary is a most onerous one and Tania has performed her duties admirably whilst completing tertiary studies, raising a young family and shifting house during the last 12 months. Tania's support to me over the last couple of years in particular has been magnificent.

As a celebration of our 10 year anniversary we invite all shareholders to join us at our AGM dinner on 30 October, which will be fully catered with meals and refreshments provided. Help us celebrate this important milestone. You can RSVP to Max Papley 5629 2295 or Tania Hansen 5941 8976.



Max W Papley
Executive Chairman.

Manager's report

For year ending 30 June 2008

Our **Community Bank**[®] Company has been trading for nine years now and the results for the 2007/08 financial year have been very pleasing.

We have seen significant growth in our business with deposits growing by 7% and lending growing by 19%. This gives us total growth for the year of 13% on the previous year.

We also increased our account numbers by 981 to almost 13,300 accounts. Customers are choosing to do more of their banking with us, through insurance, financial planning and business banking with the average number of products held by each customer increasing to 1.86.

This is a fantastic result given that two of our branches are more than seven years old and in a time we have seen a huge amount of mortgage "churn" in the market and competition at an all time high.

Staff

We had three staff changes over the past year in a total staff complement of twenty two. These were in both management and sales and service. As anyone in business would understand, this creates some challenges with your business capacity and has a lag effect while new staff are trained and learn all about the **Community Bank**[®] network. With this in mind, it is all the more pleasing that we achieved the results we did.

Our Manager at Narre Warren South, David Edmunds, decided to leave us after two years and return to Bendigo Bank in their **Community Bank**[®] Department. His replacement, Paul Jones, started with us in April 2008. Paul comes to us with more than 25 years banking experience with Westpac and Members Equity Bank and is a good addition to our team.

Our Customer Relationship Officer at Pearcedale, Lorraine D'Mello, resigned from her position with us in June 2008 to move closer to home for family reasons and we are currently interviewing replacements.

One of the relievers in our group, Michelle Barnes, resigned in October 2007 due to a change in residence. Her replacement was Angela Giffin who commenced with us in January 2008 and she has quickly adapted to our way of banking and has developed into a valuable member of our team.

We would not have achieved the growth we have without the full commitment of all our staff. I would personally like to thank our Branch Managers Darren Guinea, Christine Young, Richard Roach and Paul Jones for their efforts over the last twelve months.

I thank all of our staff for their professionalism and commitment to the ongoing success of our branches. By making the customers our number one priority our business will continue to grow.

There are many others who we must thank for our success. These include our hard working Board of Directors whose support has made our Company the strength it is today.

Manager's report continued

To our shareholders and especially our customers, I wish to extend my gratitude and that of my team for your fantastic support over the last year. It is your support that has enabled us to grow so much which, in turn, has enabled us to give back to the community.

I ask that our staff, Directors, shareholders, customers and the wider community as a whole continue to spread the message about the **Community Bank**[®] concept so that the local community can continue to benefit from a bank that cares and supports them.



John Dwyer
Senior Manager

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

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: 68

Occupation: Retail Rural Merchandise Proprietor

Experience and expertise:

- Chairman CFSV Ltd since inception

Special responsibilities:

- Chairman of the Board

Interests in shares: 30,250 Ordinary Shares

Michael John Duff

Director

Age: 44

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: 71

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: 38

Occupation: Company Secretary

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: 71

Occupation: Grazier

Experience and expertise:

- Member of Rotary Club

Special responsibilities:

- Asset Management Sub Committee

- Business Growth Sub Committee

Interests in shares: 52,500 Ordinary Shares

John Munro Lyle

Director

Age: 57

Occupation: Self Employed Retail Proprietor

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: 67

Occupation: Owner Operator, Grazier

Experience and expertise:

- Former Chairman of Lang Lang Town Committee
- Chairman Lang Lang Community Medical Centre

Special responsibilities:

- Audit & Governance Sub Committee

Interests in shares: 56,000 Ordinary Shares

Gordon Lovell Sampson

Director

Age: 72

Occupation: Retired Self Employed Electrician

Experience and expertise:

- Chairman of Lang Lang Town Committee
- Chairman of Lang Lang Historical Society

Special responsibilities:

- Asset Management Sub Committee

Interests in shares: 5,700 Ordinary Shares

Ronald James Witney

Director

Age: 49

Occupation: Pharmacist

Experience and expertise:

- 15 years Pharmacist in Pearcedale

Special responsibilities:

- Finance & Budget Sub Committee

Interests in shares: 17,200 Ordinary Shares

Gordon Douglas Smale (Appointed 3 July 2007)

Director

Age: 43

Occupation: Manufacturing Manager

Experience and expertise:

- Manager of electrical engineering Company
- President Pearcedale Tennis Club
- President Pearcedale Recreation Reserve

Interests in shares: Nil Ordinary Shares

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

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

Company Secretary

The Company Secretary is Tania Hansen. Tania was appointed to the position of Secretary on 16 September 2003. She holds a Bachelor Degree in Linguists and recently completed a Bachelor Degree in Behavioural Science. Previously Tania held the position of Treasurer and has a history in the banking sector. She has gained experience whilst 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 Bank**[®] 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 2008	Year ended 30 June 2007
\$	\$
334,679	117,779

Remuneration report

The Board is responsible for the determination of remuneration packages and policies applicable to the 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 \$93,060 including the use of a Company car with grossed FBT value of \$7,279. 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 \$21,940, plus employer sponsored superannuation of \$10,470.

During the 2007 year the Board resolved to pay Max Papley \$40,000 for services performed in his role as 'Executive Chairman'. During the 2008 financial year Max invoiced the entity for \$10,000 for services performed as Executive Chairman. Max was paid a total of \$12,000 (2007: \$12,000) which included \$2,000 for Director remuneration.

During the 2007 year the Board resolved 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 the 2008 financial year Tania was paid \$15,999 (2007: \$11,000) which included \$2,000 for Director Remuneration.

Directors fees

For the year ended 30 June 2008, 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
Gordon Douglas Smale (Appointed 3 July 2007)	2,000

Directors' report continued

	Cents	\$'000
Dividends		
Final dividends recommended:	17.5	128,166
Dividends paid in the year:		
- As recommended in the prior year report	14	102,532

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 disclosed in note 18 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	10	10
Michael John Duff	10	9
Douglas Hugh Hamilton	10	10
Tania Lyn Hansen	10	10
Maxwell Arthur John Kneebone	10	7
John Munro Lyle	10	8
Glenister Malcolm McGregor	10	6
Gordon Lovell Sampson	10	8
Ronald James Witney	10	6
Gordon Douglas Smale (Appointed 3 July 2007)	10	10

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 12.

Signed in accordance with a resolution of the Board of Directors at Lang Lang, Victoria on 20 September 2008.



Maxwell William Papley
Chairman



Tania Lyn Hansen
Secretary

Auditor's independence declaration



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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Community Financial Services Victoria Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 20th day of September 2008

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	2,391,449	2,136,823
Salaries and employee benefits expense		(998,218)	(915,386)
Advertising and promotion expenses		(334,651)	(442,992)
Occupancy and associated costs		(156,035)	(150,535)
Systems costs		(97,643)	(89,084)
Depreciation and amortisation expense	4	(49,316)	(41,718)
General administration expenses		(298,137)	(317,000)
Profit before income tax expense		457,449	180,108
Income tax expense	5	(122,770)	(62,329)
Profit for the period		334,679	117,779
Profit attributable to members of the entity		334,679	117,779
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	45.70	16.08
- dividends paid per share		14.00	10.00

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Assets			
Current assets			
Cash assets	6	459,829	166,938
Trade and other receivables	7	205,432	167,996
Total current assets		665,261	334,934
Non-current assets			
Property, plant and equipment	8	302,089	328,031
Intangible assets	9	234,936	250,936
Deferred tax assets	10	20,599	-
Total non-current assets		557,624	578,967
Total assets		1,222,885	913,901
Liabilities			
Current liabilities			
Trade and other payables	11	87,952	99,869
Current tax liabilities	12	93,801	15,468
Provisions	13	57,133	67,357
Total current liabilities		238,886	182,694
Non current liabilities			
Provisions	13	20,645	-
Total non current liabilities		20,645	-
Total liabilities		259,531	182,694
Net assets		963,354	731,207
Equity			
Issued capital	14	607,871	607,871
Retained profits	15	355,483	123,336
Total equity		963,354	731,207

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		2,369,518	2,326,858
Payments to suppliers and employees		(1,911,989)	(2,175,428)
Interest received		10,304	2,752
Income taxes paid		(65,036)	-
Net cash provided by operating activities	16	402,797	154,182
Cash flows from investing activities			
Payments for property, plant and equipment		(7,374)	(138,111)
Net cash used in investing activities		(7,374)	(138,111)
Cash flows from financing activities			
Dividends paid		(102,532)	(73,237)
Net cash used in financing activities		(102,532)	(73,237)
Net increase/(decrease) in cash held		292,891	(57,166)
Cash at the beginning of the financial year		166,938	224,104
Cash at the end of the half-year	6(a)	459,829	166,938

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		731,207	686,666
Net profit for the period		334,679	117,779
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		(102,532)	(73,238)
Shares issued during period		-	-
Total equity at the end of the period		963,354	731,207

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting 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 the 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 the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

The Company contributes to a 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 the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Goodwill

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

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

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

Estimated impairment of goodwill

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

Impairment of assets

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

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

Notes to the 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 the 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 the financial statements continued

	2008 \$	2007 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	2,379,534	2,115,967
- other revenue	-	2,610
Total revenue from operating activities	2,379,534	2,118,577
Non-operating activities:		
- interest received	11,915	5,246
- rental revenue	-	13,000
Total revenue from non-operating activities	11,915	18,246
Total revenues from ordinary activities	2,391,449	2,136,823

Note 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	28,606	25,722
- motor vehicle	4,710	5,797
Amortisation of non-current assets:		
- franchise agreement	16,000	15,996
	49,316	47,515
Finance costs:		
Bad debts	3,967	3,566

Note 5. Income tax expense

The components of tax expense comprise:

- Current tax	143,369	62,329
- Deferred tax on provisions	(20,599)	-
	122,770	62,329

Notes to the financial statements continued

	Note	2008 \$	2007 \$
Note 5. Income tax expense (continued)			
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		457,449	180,108
Prima facie tax on profit from ordinary activities at 30%		137,235	54,032
Add tax effect of:			
- non-deductible expenses		4,800	4,799
- timing difference expenses		1,334	3,498
Current tax		143,369	62,329
Movement in deferred tax	10.	(20,599)	-
		122,770	62,329

Note 6. Cash assets

Cash at bank and on hand		244,238	161,518
Term deposits		215,591	5,420
		459,829	166,938

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		244,238	161,518
Term deposit		215,591	5,420
		459,829	166,938

Note 7. Trade and other receivables

Trade receivables		188,617	167,955
Prepayments		16,815	41
		205,432	167,996

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment		
Plant and equipment		
At cost	461,930	454,556
Less accumulated depreciation	(180,251)	(151,645)
	281,679	302,911
Motor vehicle		
At cost	31,782	31,782
Less accumulated depreciation	(11,372)	(6,662)
	20,410	25,120
Total written down amount	302,089	328,031
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	302,911	190,522
Additions	7,374	138,111
Less: depreciation expense	(28,606)	(25,722)
Carrying amount at end	281,679	302,911
Motor vehicle		
Carrying amount at beginning	25,120	30,917
Less: depreciation expense	(4,710)	(5,797)
Carrying amount at end	20,410	25,120
Total written down amount	302,089	328,031

Notes to the financial statements continued

	2008 \$	2007 \$
Note 9. Intangible assets		
Franchise fee		
At cost	80,000	80,000
Less: accumulated amortisation	(63,752)	(47,576)
	16,248	32,424
Goodwill		
At cost	218,508	218,508
Less: accumulated amortisation	-	-
	218,508	218,508
Total written down amount	234,756	250,932

Note 10. Deferred tax

Deferred tax asset		
Opening balance	-	-
Deferred tax on provisions	20,599	-
Closing balance	20,599	-

Note 11. Trade and other payables

Trade creditors	76,151	65,280
Other creditors & accruals	11,803	34,589
	87,954	99,869

Note 12. Tax liabilities

Income tax payable	93,801	15,468
	93,801	15,468

Notes to the financial statements continued

	2008 \$	2007 \$
Note 13. Provisions		
Current		
Employee provisions	57,133	50,024
Non current		
Employee provisions	20,645	-
Number of employees at year end	16	14

Note 14. Contributed equity

732,375 Ordinary shares (2007: 732,375)

Opening balance	607,871	607,871
	607,871	607,871

Note 15. Retained earnings

Balance at the beginning of the financial year	123,336	78,795
Net profit from ordinary activities after income tax	334,679	117,779
Dividends paid	(102,532)	(73,238)
Balance at the end of the financial year	355,483	123,336

Note 16. Statement of cash flows

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

Profit from ordinary activities after income tax	334,679	117,779
Non cash items:		
- depreciation	33,316	31,519
- amortisation	16,000	15,996

Notes to the financial statements continued

	2008 \$	2007 \$
Note 16. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- increase in receivables	(37,436)	(17,029)
- increase in other assets	(20,599)	-
- increase/(decrease) in payables	66,416	(10,408)
-increase in provisions	10,421	16,325
Net cash flows provided by operating activities	402,797	154,182

Note 17. Auditors' remuneration

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

- audit & review services	4,000	4,000
- non audit services	1,100	1,100
	5,100	5,100

Note 18. Director and related party disclosures

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

Maxwell William Papley

Michael John Duff

Douglas Hugh Hamilton

Tania Lyn Hansen

Maxwell Arthur John Kneebone

John Munro Lyle

Glenister Malcolm McGregor

Gordon Lovell Sampson

Ronald James Witney

Gordon Douglas Smale (Appointed 3 July 2007)

Except for Maxwell Kneebone, Max Papley, Michael Duff and John Lyle no Director or related entity has entered into a material contract with the Company. Director's fees have been paid as as disclosed in the Directors report.

Notes to the financial statements continued

Note 18. Director and related party disclosures (continued)

During the normal course of business operations, Community Financial Services Victoria Limited utilised services offered by local community business. Some of these transactions included businesses which some Directors have direct or indirect interest. These transactions are considered to be made at an arms length basis and are on normal commercial terms.

During the financial 2008 financial year Community Financial Services Victoria Limited made payments of \$54,887.22 (2007: \$48,296) to Maxwell Kneebone for rental of the branch premises at Lang Lang and Koo Wee Rup. The terms and conditions of the rental arrangements are on a commercial basis.

During the 2008 financial year Community Financial Services Victoria Limited made a payment to Larmax Trading of \$33.95 for the purchase of a kettle. Director Max Papley is the owner of Larmax Trading. The purchase was made on normal commercial terms.

During the 2008 financial year Community Financial Services Victoria Limited made payments to John Duff & Co of \$4,336.83 for the purchase of a motor vehicle fuel. Director Michael Duff is the owner of John Duff & Co. The purchases were made on normal commercial terms.

During the 2008 financial year Community Financial Services Victoria Limited made payments to Pearcedale Village Supermarket of \$746.49 for the purchase of a minor supplies during the year. Director John Lyle is the owner of Pearcedale Village Supermarket. The purchases were made on normal commercial terms.

Also refer to note 23 for further related party transaction disclosures.

Directors shareholdings	2008	2007
Maxwell William Papley	30,250	30,250
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
Gordon Douglas Smale (Appointed 3 July 2007)	-	-

There was no movement in Directors shareholdings during the year.

Notes to the financial statements continued

	2008 \$	2007 \$
Note 19. Dividends paid		
(a) Ordinary shares		
Dividend for the year ended 30 June 2007 of 14 cents (2006:10 cents) per fully paid share paid on 14 December 2007 (2006:15 December 2006)		
Fully franked (2006:100% franked) based on tax paid at 30%	102,532	73,237
(b) Dividends not recognised at year end		
In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 17.5 cents per fully paid ordinary share, (2007:14 cents) fully franked based on tax paid at 30%. The aggregate amount proposed dividend expected to be paid in December 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year end, is		
	128,166	102,532

Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share		
	334,679	117,779
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share		
	732,375	732,375

Note 21. Events occurring after the balance sheet date

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

Notes to the financial statements continued

Note 22. Contingent liabilities

During the year Community Financial Services Victoria Limited entered an agreement with the Koo Wee Rup Fire Brigade to make the loan repayments of a commercial chattel mortgage in the name of Koo Wee Rup Fire Brigade as a form of sponsorship. The loan has been used for the purchase of a new fire truck.

The commercial chattel mortgage is repayable monthly with instalments of \$836.10, the final instalment due February 2013. Interest is recognised at an average rate of 9.018%. The total amount repayable is \$50,166.

• Amount already paid	3,344.40
• Payable in 1 year or less	10,033.20
• Payable in over 1 to 3 years	30,099.60
• Payable in over 3 years	6,688.80
• Total payable	50,166.00

Note 23. Segment reporting

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

Geographic segments	Total revenue		Profit from ordinary activities after income tax		Net assets	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Lang Lang	727,168	677,095	160,363	122,199	248,075	308,432
Pearcedale	671,985	654,852	101,265	117,699	155,222	189,126
Koo Wee Rup	468,225	396,296	46,010	(34,159)	57,167	50,143
Narre Warren South	524,071	408,580	27,041	(87,960)	107,791	60,458
Unallocated					395,099	123,048
Total	2,391,449	2,136,823	334,679	117,779	963,354	731,207

Note 24. Registered office/principal place of business

The registered office and principal place of business is:

Registered office

29 Westernport Road,
Lang Lang VIC 3984

Principal place of business

29 Westernport Road,
Lang Lang VIC 3984

Notes to the financial statements continued

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.

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						
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	
Financial assets													
Cash assets	244,238	161,518	-	-	-	-	-	-	-	-	0.05	0.05	
Investment account	215,591	5,420	-	-	-	-	-	-	-	-	5.96	5.34	
Receivables	-	-	-	-	-	-	-	-	-	188,617	167,996	N/A	N/A
Financial liabilities													
Payables	-	-	-	-	-	-	-	-	-	87,954	99,869	N/A	N/A

Director's declaration

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 2008 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 20 September 2008.

Independent audit report



Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550

Phone (03) 5443 0344
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 2008, 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 director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

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 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls 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 audit report continued

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

- 1) The financial report 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 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 20th day of September 2008

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 21 August 2008.

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

The following table shows the 10 largest shareholders:

Shareholder	Number of shares	Percentage 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
	235,535	32.56

3. Voting rights

Each shareholder is entitled to 1 vote, irrespective of the number of shares held. There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

BSX report continued

4. Distribution of shareholders

The following table shows the number of shareholders, broken into various categories showing the total number of shares held:

Number of shares held	Number of shareholders
1 to 1,000	94
1,001 to 5,000	85
5,001 to 10,000	38
10,001 to 100,000	10
100,001 and over	-
Total shareholders	227

There are 13 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$0.83. There are no unquoted equity securities.

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 (share registry) is kept:

AFS & Associates Pty Ltd

61-65 Bull Street,

Bendigo VIC 3550

PO Box 454,

Bendigo VC 3552

Phone: (03) 5443 0344

Fax: (03) 5443 5304

Email: afs@afsbendigo.com.au

7. Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

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 South Branch
Shop 8, Amberly Park Shopping Centre,
101 Seebeck 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 and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8030) (08/08)