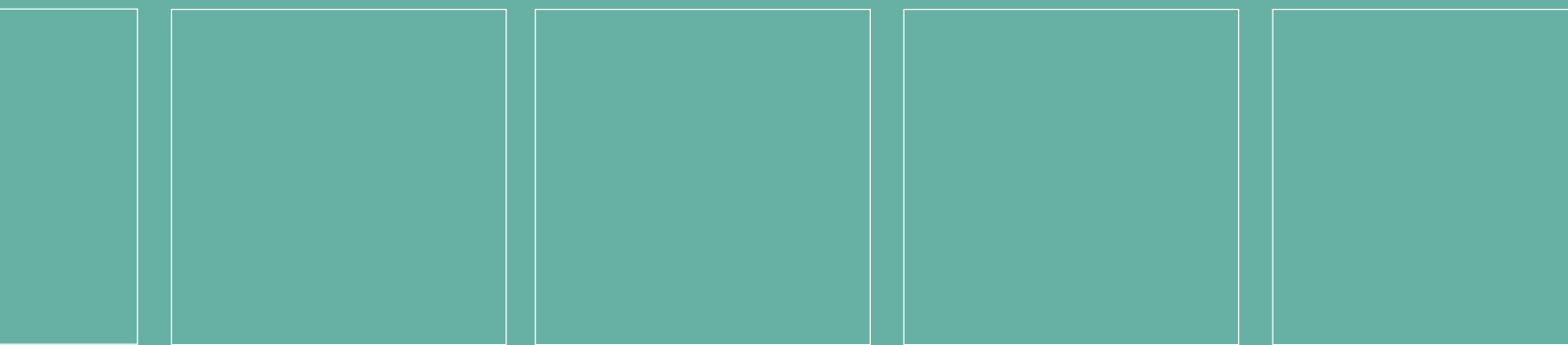


2008
annualreport



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Chairman's report

For year ending 30 June 2008

Dear shareholder,

Welcome to the 2008 Annual Report. This year it gives me a great deal of pleasure as Chairman to write the letter of introduction to the annual report. I am confident a reading of the financial report contained herein will confirm the belief you held the day you first pledged money to help establish your **Community Bank**[®] Company.

I am proud to be able to report that this year has been a significant year in the history of your bank. I am sure that in years to come, as we watch our Company grow from strength to strength, we will look back on 07/08 as the turning point from both a business and investment point of view.

From the business point of view, at the writing of this letter, our branch has a holding of deposits and loans to the order of \$78 million dollars. Whilst the worlds major banking institutions and the major players in the Australian banking industry have been subjected to downward pressures, we have repeatedly outstripped our monthly budget forecasts. We have been accepted as a bank within the Pine Rivers Community, a bank that can be trusted, a bank that delivers and a bank that prides itself on its personal customer service. This was made evident on the Saturday 19 July 2008 when we won for the third year in a row, the Professional Services category of the Pine Rivers Press Business Achievers Award. It is an outstanding achievement that places us in the Hall of Fame.

None of this is possible without a Branch Manager and staff that are committed to the concept and the integrity of **Community Bank**[®] philosophy, To Ross Growcott, Mandy McQuay, Emma Hann and Melanie Aman, congratulations and thank you for your outstanding contribution to our success this year.

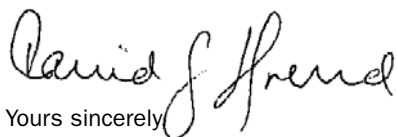
From an investment point of view, as a shareholder you would all be aware by now that we have declared our first dividend. It meant a lot to us, your Board, to be able to make this announcement. We believe that this will be an annual event if we continue to hold our market share and attract new business. Perhaps this is the time for you to ask yourself, do we have your business?

We have also honoured our obligation and commitment to the community. We are now in a position to make worthwhile investments by way of grants and sponsorships back into our community. We have begun this process with a grant of almost \$9,000 to Pine Rivers Meals on Wheels and a further \$6,000 to the Pine Rivers Neighbourhood Centre. Throughout the year we have also supported the Pine Rivers SES.

At the AGM we are going to ask you to vote on a proposal that will be the first step in your Company owning and operating a second **Community Bank**[®] branch that will be located at Samford. We have done a straw feasibility study across the Samford community and there is strong support for this venture.

Chairman's report continued

I invite you to attend our AGM to share in the success of the past year, to hear about the future plans for your Company and to enjoy some light refreshments at the end of the proceedings.



Yours sincerely

David Ffrench

Chairman

Manager's report

For year ending 30 June 2008

The 2007/2008 financial year has come to a close and we once again have seen some excellent business growth for the Brendale **Community Bank**[®] Branch.

The Brendale **Community Bank**[®] Branch now holds in excess of \$78 million dollars in investments and loan facilities. This represents an increase of nearly \$23 million dollars over the past 12 months. These funds were wholly supported by local businesses, families, sporting clubs and organisations. YOUR on-going support has been vital to the development of YOUR **Community Bank**[®] Branch.

As previously mentioned by the Chairman, the acceptance into the "Hall of Fame" for winning three successive years in the quest newspapers – Business Achievers Awards, has been the pinnacle of professional acknowledgements and once again reinforces our business principals, customer service and community support that we operate from.

Bendigo Bank now has over 400 retail branches, including 219 **Community Bank**[®] branches, 100 agencies out lets, 500 ATM's and 10,000 EFTPOS facilities. Behind these numbers are hundreds of **Community Bank**[®] branches making a real difference to their local community.

I believe that with on-going support from both Bendigo Bank, and our Board of Directors, we will continue to watch significant business growth over the next twelve months. It is acknowledged that our general economic environment has tightened however; this will only place further emphasis on our business development, business relationships with existing customers and shareholders, and providing the old fashion customer service.

Although the existing shareholders who have their personal and business banking with Brendale **Community Bank**[®] Branch has increased since last year, we still welcome and urge all shareholders to talk to the writer and my branch staff regarding loans, investments, business and personal accounts.

I would like to acknowledge the support of the Board of Directors who volunteer their time each week and management from Bendigo Bank. We look forward to your support to ensure another successful year ahead.

Bank biography

Name Robert Ian Millar
Age 58
Occupation Councillor

Bob has been a Director on the Board since 2007.

Bob had been a Councillor with the former Pine Rivers Shire Council since 2000 and was elected to the Moreton Bay Regional Council upon its creation in March 2008. Bob chairs Council's Corporate Services committee and is a member of the Strategic Planning and Audit committees. He joined the Brendale **Community Bank**[®] Board in 2007 and brings to the role over 30 years experience in the banking and finance industry. He served for over ten years on the Queensland State council of the Australian Institute of Banking and Finance and is currently a member of the Board of Management of the Queensland Local Government Mutual Liability Pool. Bob is also active with a number of community groups in his area.

Name Gregory Michael Symington
Age 38
Occupation Businessman

Greg has been a Director on the Board since 2006.

Born in Ingham, Queensland in 1970, Greg gained his Bachelor of Engineering (Computer Systems) in 1991. He worked in Sydney for 12 years including four years working for AMP Banking as the technical team leader for E-Channels which incorporate Internet, IVR (Phone banking) and ATM/EFTPOS systems. He moved to Brisbane in 2003 to work for UNISYS Corporation as a consultant, working for organisations such as the Port of Brisbane, Australian Taxation Office and City Beach. He has spent the last four years at Queensland Rail working as a Project Manager and has recently received a diploma of Project Management. Greg has managed his own Business for the last nine years. He lives at Samsonvale with his wife and three young sons.

Name David Graeme Ffrench
Age 53
Occupation Businessman

David has been a Director on the Board since November 2003.

He is married with two children. Lives in Cashmere. His background is primarily small business owner. Since 1995 He has been Managing Director of his Own transport Company which currently has 20 staff.

Previous Board experience includes student representative On the Board of the Canberra College of Advanced Education (now the Canberra University). He was also a member of The Mount Samson State School Parents and Citizens Association including three and a half years as President.

Bank biography continued

Name Julie Brooks (nee Honeychurch)
Occupation Disability Support Worker

Julie is the only remaining foundation Board member.

Julie is originally from Adelaide, and is the only original Steering Committee Member on the Board as Director and Minute Secretary since the Board's inception. Married 27 years with two adult children, she works as a Disability Support Worker and Management Committee Member Pine Rivers Neighbourhood Centre.

Name Gerrie Bowden
Age 54
Occupation Real Estate Agency Proprietor

Gerrie has been a Director on the Board member since 2005

Gerrie and her husband, Dennis and three sons have lived in the Pine Rivers region since 1975. Gerrie started out her working career as a nurse. After a 30 year career she returned to study and attained her BBSc in 1999 with a major in psychology and Enterprise Development with the emphasis being on marketing.

In 2002 Gerrie turned to Real Estate and worked as a exclusive Buyers Agent. Joined Ray White in 2003 as a Sales agent and in 2008 Gerrie opened her own Real Estate Office as Moreton Bay Regional Real Estate (MBR Real Estate).

Gerrie and her family took up shares in the Brendale **Community Bank**[®] at its inception. This was because the family liked the community banking concept and the fact that most of the profits stays in our local community. Gerrie is also an active marketing committee member.

Name Peter Anthony Carrigan
Age 39
Occupation Solicitor

Peter Carrigan accepted Directorship in May 2008.

Qualified solicitor and former owner of Samford Law, living and working in the Samford Valley and Pine Rivers District since 1993. Married with 2 adult children, he has recently sold his practice and works now as a consultant to the new owner and spends spare time doing community based work.

An active touch football player he is keen to see growth in the **Community Bank**[®] project in the Samford Valley area.

Bank biography continued

Name Ray Burton

Occupation Councillor

Ray Burton has been a Director of the **Community Bank**[®] Company for the past 4 years.

Ray lives at Highvale with his wife Lee. He was the Chief Executive Officer for the last 5 years of the former Pine Rivers Shire Council and was the Interim and Acting CEO of the new Moreton Bay Regional Council. Ray is a Director to a number of Boards and is also a member of the Samford Valley Rotary Club. He has recently accepted a position in Townsville and has retired from the Board.

Name Terrence Graham Orreal

Occupation Businessman

An original Steering Committee Member (January 2000) and then Director.

Business owner he started in the Brendale Industrial Estate 26 years ago. On the Board of Directors of Careers Solutions Pty Ltd. Active in the community and is a recipient of the Paul Harris fellowship from Rotary International. Terry has recently resigned his Board position.

Name Kim Jubb

Occupation Solicitor

Kim accepted a position on the Board in 2005 and was appointed Company Secretary 27 July 2005.

Kim runs his own busy legal practice at Albany Creek. Kim elected to retire in April 2008 to concentrate on his other business activities. Qualifications & experience include a law degree, membership of the Queensland Law Society, and a Business Proprietor of many years.

Bendigo Bank Ltd report

For year ending 30 June 2008

Celebrating 10 years of the **Community Bank**[®] Network

A message from Bendigo Bank

June 2008 marks ten years since Bendigo Bank and the people of Rupanyup and Minyip unveiled the first **Community Bank**[®] branches in Australia, marking a turning point not only for the two small Victorian wheat belt towns, but for the Bendigo as well.

Today, these two towns have been joined by more than 210 communities to form Australia's fastest growing banking network – community banking.

It is a significant milestone for Bendigo Bank and our **Community Bank**[®] partners.

The number of **Community Bank**[®] branches has doubled in the last four years and in the same time frame, customers have tripled their commitment of banking business to the community network, increasing it to more than \$11 billion.

More importantly, in excess of \$18 million in **Community Bank**[®] branch profits have been returned to community projects and \$12 million has been paid in dividends to more than 50,000 local shareholders.

Behind those numbers are hundreds of stories of **Community Bank**[®] branches making a real difference to the lives of local people.

Whether it's building a community hall, sponsoring an art prize or even buying new footy jumpers for the local side – these **Community Bank**[®] branches are helping improve the economic and social prospects of their local communities.

Add to those contributions the employment of more than 1000 staff members and daily expenses in the local economy and you have a truly meaningful contribution to those communities and to local prosperity.

As we reflect on the past 10 years, it's with a feeling of great pride and accomplishment for what has been achieved in partnership between our team at the Bendigo and our community partners.

The landscape of banking has changed dramatically, but more importantly – so have the communities we partner and our own organisation.

Our partners have taken charge of outcomes locally that will impact positively for many years to come. Likewise, our organisation has built on our community focussed heritage and evolved to become a true partner to community.

Your commitment, enthusiasm and belief in the **Community Bank**[®] model has been instrumental, and for that we thank you.

And here we are, only 10 years into this wonderful journey. Who knows what positive outcomes we'll be talking about in 10 years time, as the **Community Bank**[®] network matures?

It's an exciting prospect – and we are very proud of what our team and the communities we partner have achieved together.

Russell Jenkins
Chief General Manager
Retail & Distribution

Directors' report

For year ending 30 June 2008

Your Directors submit their 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 are:

David Graeme Ffrench

Chairman
Company Director

Kim Jubb (Resigned 14/04/08)

Director
Proprietor

Gerrie Bowden

Director
Manager

Robert Millar (Appointed 01/10/07)

Director
Councillor

Peter Carrigan (Appointed 12/05/08)

Director
Consultant

Julie Brooks

Director
Community volunteer

Terrence Graham Orreal (Resigned 21/07/08)

Director
Company Director

Ray Burton (Resigned 28/07/08)

Director
Manager

Greg Symington

Director
Manager

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

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide 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 \$99,553 (2007: \$31,379).

Dividends

No dividends were declared or paid for the previous year, but the Directors have recommended that an unfranked dividend of seven cents per share be paid in respect of profits earned for the year ended 30 June 2008.

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely developments

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

Directors' benefits

Ffrench Commercial Lawyers received \$440 during the year in respect of legal services provided, the principal of which is related to David Ffrench.

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

Indemnification and Insurance of Directors and Officers

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

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

Directors' report continued

Directors meetings

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

| | |
|--|-----------|
| Number of meetings held: | 12 |
| <hr/> | |
| Number of meetings attended: | |
| <hr/> | |
| David Graeme Ffrench | 11 |
| <hr/> | |
| Julie Brooks | 12 |
| <hr/> | |
| Kim Jubb (Resigned 14/04/08) | 1 |
| <hr/> | |
| Terrence Graham Orreal (Resigned 21/07/08) | 1 |
| <hr/> | |
| Gerrie Bowden | 11 |
| <hr/> | |
| Ray Burton (Resigned 28/07/08) | 4 |
| <hr/> | |
| Robert Millar (Appointed 01/10/07) | 8 |
| <hr/> | |
| Greg Symington | 11 |
| <hr/> | |
| Peter Carrigan (Appointed 12/05/08) | 1 |
| <hr/> | |

Company Secretary

Kim Jubb resigned as Company Secretary on 14 April 2008 and David Ffrench was appointed as Company Secretary in his place. David's experience includes being a business proprietor for several years.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) On-going Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Directors' report continued

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty Chartered Accountants



172 McIvor Road
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Pine Rivers Community Finance Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

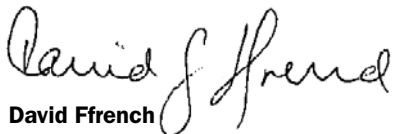


Warren Sinnott
Partner

Richmond Sinnott & Delahunty
Bendigo

13 August 2008

Signed in accordance with a resolution of the Board of Directors at Brendale on 13 August 2008.



David Ffrench
Director

Financial statements

Income statement For year ending 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|--|------|------------|------------|
| Revenue from ordinary activities | 2 | 652,173 | 494,070 |
| Employee benefits expense | 3 | (274,684) | (209,150) |
| Charitable donations and sponsorship | | (5,312) | (622) |
| Depreciation and amortisation expense | 3 | (26,801) | (31,026) |
| Finance costs | 3 | (4,035) | (6,131) |
| Occupancy expenses | | (49,920) | (74,693) |
| Administration and other expenses from ordinary activities | | (141,100) | (121,987) |
| Profit before income tax expense | | 150,321 | 50,461 |
| Income tax expense | 4 | (50,768) | (19,082) |
| Profit after income tax expense | | 99,553 | 31,379 |
| Earnings per share (cents per share) | | | |
| - basic for profit for the year | 23 | 17.40 | 5.49 |
| - diluted for profit for the year | 23 | 17.40 | 5.49 |

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

| | Note | 2008 \$ | 2007 \$ |
|--------------------------------------|------|----------------|----------------|
| Current Assets | | | |
| Cash assets | 6 | 130,655 | 60,666 |
| Receivables | 7 | 65,245 | 50,642 |
| Other assets | 8 | 9,717 | 6,799 |
| Total Current Assets | | 205,617 | 118,107 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 138,737 | 144,179 |
| Deferred income tax asset | 4 | 55,994 | 106,762 |
| Intangible assets | 10 | 40,795 | 51,124 |
| Total Non-Current Assets | | 235,526 | 302,065 |
| Total Assets | | 441,143 | 420,172 |
| Current Liabilities | | | |
| Payables | 11 | 63,507 | 30,938 |
| Provisions | 12 | 11,221 | 7,379 |
| Interest bearing liabilities | 13 | 1,593 | 45,864 |
| Total Current Liabilities | | 76,321 | 84,181 |
| Non-Current Liabilities | | | |
| Payables | 11 | 27,500 | 27,500 |
| Interest bearing liabilities | 13 | - | 70,722 |
| Total Non-Current Liabilities | | 27,500 | 98,222 |
| Total Liabilities | | 103,821 | 182,403 |
| Net Assets | | 337,322 | 237,769 |
| Equity | | | |
| Share capital | 14 | 544,708 | 544,708 |
| Accumulated losses | 15 | (207,386) | (306,939) |
| Total Equity | | 337,322 | 237,769 |

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 | | | |
| Cash receipts in the course of operations | | 695,112 | 533,252 |
| Cash payments in the course of operations | | (498,186) | (438,937) |
| Interest received | | 3,121 | 1,380 |
| Borrowing costs | | (4,035) | (6,131) |
| Net cash flows provided by/(used in) operating activities^{16b} | | 196,012 | 89,564 |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | (11,030) | (64,292) |
| Payments for intangible assets | | - | (51,644) |
| Net cash flows used in investing activities | | (11,030) | (115,936) |
| Cash Flows From Financing Activities | | | |
| Proceeds from borrowings | | - | 58,711 |
| Repayment of borrowings | | (114,993) | - |
| Net cash flows provided by/(used in) financing activities | | (114,993) | 58,711 |
| Net increase in cash held | | 69,989 | 32,339 |
| Add opening cash brought forward | | 60,666 | 28,327 |
| Closing cash carried forward | 16a | 130,655 | 60,666 |

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 \$ |
|---|------|------------------|------------------|
| Share capital | | | |
| <i>Ordinary shares</i> | | | |
| Balance at start of year | | 544,708 | 544,708 |
| Issue of share capital | | - | - |
| Balance at end of year | | 544,708 | 544,708 |
| Retained earnings / (accumulated losses) | | | |
| Balance at start of year | | (306,939) | (338,318) |
| Profit after income tax expense | | 99,553 | 31,379 |
| Balance at end of year | | (207,386) | (306,939) |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 13 August 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated over the estimated useful life of the asset as follows:

| Class of asset | Depreciation rate |
|------------------------------|--------------------------|
| Plant & equipment | 2.5-30% |
| Office furniture & equipment | 7.1-20% |
| Furniture & fittings | 5-20% |

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 from 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 cash flow statement 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 operating cash flows.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Provisions

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

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

Contributed capital

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

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
|--|------------|------------|

Note 2. Revenue from ordinary activities

Operating activities

| | | |
|--|----------------|----------------|
| - services commissions | 195,343 | 133,113 |
| - other revenue | 453,709 | 359,577 |
| Total revenue from operating activities | 649,052 | 492,690 |
| Non-operating activities: | | |
| - interest received | 3,121 | 1,380 |
| Total revenue from ordinary activities | 652,173 | 494,070 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|--|----------------|----------------|
| Note 3. Expenses | | |
| Employee benefits expense | | |
| - wages and salaries | 230,918 | 177,172 |
| - superannuation costs | 21,091 | 16,310 |
| - workers' compensation costs | 568 | 395 |
| - other costs | 22,107 | 15,273 |
| | 274,684 | 209,150 |
| Depreciation of non-current assets: | | |
| - plant and equipment | 15,764 | 14,543 |
| - leasehold improvements | 708 | 708 |
| Amortisation of non-current assets: | | |
| - intangibles | 10,329 | 15,775 |
| | 26,801 | 31,026 |
| Finance Costs: | | |
| - interest paid | 4,035 | 6,131 |
| - bad debts | 2,265 | 1,521 |

Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

| | | |
|--|---------------|---------------|
| Prima facie tax on profit/(loss) before income tax at 30% | 45,096 | 15,138 |
| Add tax effect of: | | |
| - Non-deductible expenses | 5,672 | 3,944 |
| Current income tax expense | 50,768 | 19,082 |
| Income tax expense | 50,768 | 19,082 |
| Deferred income tax asset | | |
| Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable. | 55,994 | 106,762 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|--|------------|------------|
|--|------------|------------|

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond,
Sinnott & Delahunty for:

| | | |
|--|-------|-------|
| - Audit or review of the financial report of the Company | 3,650 | 3,650 |
|--|-------|-------|

Note 6. Cash assets

| | | |
|---------------------------------|---------|--------|
| Cash at bank and on hand | 130,655 | 60,666 |
|---------------------------------|---------|--------|

Note 7. Receivables

| | | |
|--------------------|---------------|---------------|
| Trade debtors | 65,045 | 50,442 |
| Deposit refundable | 200 | 200 |
| | 65,245 | 50,642 |

Note 8. Other assets

| | | |
|-------------|-------|-------|
| Prepayments | 9,717 | 6,799 |
|-------------|-------|-------|

Notes to the financial statements continued

| | 2008 | 2007 |
|--|----------------|----------------|
| | \$ | \$ |
| Note 9. Property, plant and equipment | | |
| Leasehold improvements | | |
| At cost | 28,324 | 28,324 |
| Less accumulated depreciation | (4,541) | (3,833) |
| | 23,783 | 24,491 |
| Plant and equipment | | |
| At cost | 188,996 | 177,966 |
| Less accumulated depreciation | (74,042) | (58,278) |
| | 114,954 | 119,688 |
| Total written down amount | 138,737 | 144,179 |
| Movements in carrying amounts | | |
| <i>Leasehold improvements</i> | | |
| Carrying amount at beginning of year | 24,491 | 25,199 |
| Depreciation expense | (708) | (708) |
| Carrying amount at end of year | 23,783 | 24,491 |
| <i>Plant and equipment</i> | | |
| Carrying amount at beginning of year | 119,688 | 69,939 |
| Additions | 11,030 | 64,292 |
| Depreciation expense | (15,764) | (14,543) |
| Carrying amount at end of year | 114,954 | 119,688 |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|-----------------------------------|---------------|---------------|
| Note 10. Intangible assets | | |
| <i>Franchise Fee</i> | | |
| At cost | 100,000 | 100,000 |
| Less accumulated amortisation | (60,438) | (50,438) |
| | 39,562 | 49,562 |
| <i>Preliminary Expenses</i> | | |
| At cost | 43,889 | 43,889 |
| Less accumulated amortisation | (43,889) | (43,889) |
| | - | - |
| <i>Borrowing Expenses</i> | | |
| At cost | 1,644 | 1,644 |
| Less accumulated amortisation | (411) | (82) |
| | 1,233 | 1,562 |
| | 40,795 | 51,124 |

Note 11. Payables

Current

| | | |
|----------------------------|---------------|---------------|
| Trade creditors | 25,262 | 16,036 |
| Accrued expenses | 2,970 | 2,970 |
| PAYG withholding payable | 9,474 | 7,494 |
| GST payable / (refundable) | 10,470 | (3,402) |
| Superannuation payable | 4,145 | 3,263 |
| Other | 11,186 | 4,577 |
| | 63,507 | 30,938 |

Non Current

| | | |
|------------------------------------|--------|--------|
| Franchise renewal deferred payment | 27,500 | 27,500 |
|------------------------------------|--------|--------|

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|---------------------------------|---------------|--------------|
| Note 12. Provisions | | |
| Employee benefits | 11,221 | 7,379 |
| Number of employees at year end | 4 | 4 |

Note 13. Interest bearing liabilities

Current

| | | |
|-----------|-------|--------|
| Bank Loan | 1,593 | 45,864 |
|-----------|-------|--------|

Non Current

| | | |
|-----------|---|--------|
| Bank Loan | - | 70,722 |
|-----------|---|--------|

Note 14. Share capital

| | | |
|--|---------|---------|
| 572,008 Ordinary shares fully paid of \$1 each # | 544,708 | 544,708 |
|--|---------|---------|

27,300 bonus shares were issued in 2003 for no consideration.

Note 15. Accumulated losses

| | | |
|---|------------------|------------------|
| Balance at the beginning of the financial year | (306,939) | (338,318) |
| Profit after income tax | 99,553 | 31,379 |
| Balance at the end of the financial year | (207,386) | (306,939) |

Notes to the financial statements continued

| | 2008 \$ | 2007 \$ |
|---|----------------|---------------|
| Note 16. Cash flow statement | | |
| (a) Reconciliation of cash | | |
| Cash assets | 130,655 | 60,666 |
| (b) Reconciliation of profit after tax to net cash from operating activities | | |
| Profit after income tax | 99,553 | 31,379 |
| Non cash items | | |
| - Depreciation | 16,472 | 15,251 |
| - Amortisation | 10,329 | 15,775 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (17,521) | (8,044) |
| - (Increase) decrease in deferred income tax asset | 50,768 | 19,082 |
| - Increase (decrease) in payables | 32,569 | 13,837 |
| - Increase (decrease) in provisions | 3,842 | 2,284 |
| Net cashflows from/(used in) operating activities | 196,012 | 89,564 |

Note 17. Capital and leasing commitments

Operating lease commitments

Operating leases contracted for but not capitalised in the financial statements

Payable:

| | | |
|---|----------------|----------------|
| - Not later than 1 year | 44,067 | 31,869 |
| - Later than 1 year, but not later than 5 years | 131,845 | 175,912 |
| | 175,912 | 207,781 |

The property lease has a five-year term, with rent payable monthly in advance. An option exists to renew the lease at the end of the five-year term for an additional ten years. The lease allows for sub-letting.

Notes to the financial statements continued

Note 18. Director and related party disclosures

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

David Graeme Ffrench

Julie Brooks

Kim Jubb (Resigned 14/04/08)

Terrence Graham Orreal (Resigned 21/07/08)

Gerrie Bowden

Ray Burton (Resigned 28/07/08)

Robert Millar (Appointed 01/10/07)

Greg Symington

Peter Carrigan (Appointed 12/05/08)

Ffrench Commercial Lawyers received \$440 during the year in respect of legal services provided, the principal of which is related to David Ffrench.

| Directors shareholdings | 2008 | 2007 |
|--|-------------|-------------|
| David Graeme Ffrench | 2,000 | 2,000 |
| Julie Brooks | 2,501 | 2,501 |
| Kim Jubb (Resigned 14/04/08) | - | - |
| Terrence Graham Orreal (Resigned 21/07/08) | 4,001 | 4,001 |
| Gerrie Bowden | 1,000 | 1,000 |
| Ray Burton (Resigned 28/07/08) | - | - |
| Robert Millar (Appointed 01/10/07) | - | - |
| Greg Symington | - | - |
| Peter Carrigan (Appointed 12/05/08) | - | - |

There was no movement in Directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid. The above holdings are held personally or in associated entities.

Note 19. Subsequent events

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

Note 20. Contingent liabilities

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

Notes to the financial statements continued

Note 21. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Brendale, Queensland.

Note 22. Corporate information

Pine Rivers Community Finance Ltd is a Company limited by shares incorporated in Australia.

The registered office of the Company is:

Unit 1/41 Deakin Street
Brendale QLD 4500

The principal place of business is:

Shop 4 Brendale 7-Day Shopping Centre
Kremzow Rd.
Brendale QLD 4500

| | 2008 | 2007 |
|--|-------------|-------------|
| | \$ | \$ |

Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | | |
|---|---------|---------|
| Profit after income tax expense | 99,553 | 31,379 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 572,008 | 572,008 |

Note 24. Dividends

Dividends proposed and not recognised as a liability:

| | | |
|--|--------|---|
| Unfranked dividends of 7 cents per share (2007: nil) | 40,041 | - |
|--|--------|---|

Notes to the financial statements continued

Note 25. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

| | Carrying amount | |
|-------------|-----------------|----------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Cash assets | 130,655 | 60,666 |
| Receivables | 65,245 | 50,642 |
| | 195,900 | 111,308 |

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Limited.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

| | Carrying amount | Contractual cash flows | 1 year or less | over 1 to 5 years | more than 5 years |
|------------------------------|------------------------|-------------------------------|-----------------------|--------------------------|--------------------------|
| 30 June 2008 | \$ | \$ | \$ | \$ | \$ |
| Payables | 91,008 | (91,008) | (91,008) | - | - |
| Interest bearing liabilities | 1,593 | (1,763) | (1,763) | - | - |
| | 92,601 | (92,771) | (92,771) | - | - |
| 30 June 2007 | | | | | |
| Payables | 58,438 | (58,438) | (58,438) | - | - |
| Interest bearing liabilities | 116,586 | (127,427) | (127,427) | - | - |
| | 175,024 | (185,865) | (185,865) | - | - |

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

| | Carrying amount | |
|----------------------------------|-----------------|-----------------|
| | 2008 | 2007 |
| | \$ | \$ |
| Fixed rate instruments | | |
| Financial assets | 18,374 | - |
| Financial liabilities | - | - |
| | 18,374 | - |
| Variable rate instruments | | |
| Financial assets | 112,281 | 60,666 |
| Financial liabilities | (1,593) | (116,586) |
| | 110,688 | (55,920) |

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

Notes to the financial statements continued

Note 25. Financial risk management (continued)

(d) Net fair values

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

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the year.

Director's declaration

In accordance with a resolution of the Directors of Pine Rivers Community Finance Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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;

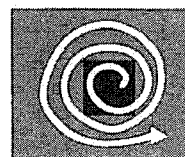


David Ffrench,
Director

Signed at Brendale on 13 August 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PINE RIVERS COMMUNITY FINANCE LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Phillip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Pine Rivers Community Finance Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Pine Rivers Community Finance Limited is in accordance with:

- (a) 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 year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 13 August 2008

Brendale **Community Bank**[®] Branch
Shop 4, Brendale 7 Day Shopping Centre
Kremzow Road, Brendale QLD 4500
Phone: (07) 3881 0720

Franchisee: Pine Rivers Community Finance Limited
1/41 Deakin Street, Brendale QLD 4500
ABN 14 098 199 476

www.bendigobank.com.au/public/brendale

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (KKQAR8001) (08/08)

