

2006 annual report

Gosnells
Financial Services Limited
ABN 11 095 764 533



Gosnells Community Bank™ Branch  Bendigo Bank

Gosnells **Community Bank**® Branch.
2227 Albany Highway, Gosnells, WA 6110
Phone: (08) 9490 4233 Fax: (08) 9490 4266

Franchisee: Gosnells Financial Services Limited
PO Box 417, Gosnells, WA 6990
Phone: (08) 9490 4233 Fax: (08) 9490 4266
ABN 11 095 764 533

www.bendigobank.com.au
Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879 (PSW1022) (10/06)

Gosnells
Community Bank® Branch  **Bendigo Bank**

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Chairman's report

For the year ending 30 June 2006

Once again it is with a great deal of pleasure that your Board presents the Annual Report to you our valued shareholders.

The Gosnells **Community Bank®** Branch is one of 33 **Community Bank®** branches in Western Australia, part of a group of more than 340 community and company branches of Bendigo Bank throughout Australia.

Combined, these branches have made a significant contribution to communities through better banking services and financial support of local community projects and organisations.

This year has been a fantastic year for our Company and we as a Board are very proud of the results that have been achieved. We have gone from strength to strength and I am very pleased to say we are continuing to trade profitably and we were delighted to pay our first dividend payment after the end of the financial year June 2006. The first dividend paid was 5% and we look forward for more to come in the future.

During the financial year 2005/2006 we distributed \$15,000 in grants to various local groups, and made a profit of \$64,470.

We have fulfilled our promise made at the 2005 Annual General Meeting that we would list Gosnells Financial Services Limited shares on the Bendigo Stock Exchange (BSX) The Board felt that there would be many benefits for our shareholders to evaluate and realise the value of investment in your Company. If you have questions in relation to your shares, please contact Steven James at RSM Bird Cameron on 9251 8006.

Over the past financial year our Board has seen a number of changes, with one of our founding Directors, Mike Devereux, retiring after a number of years of extremely hard work, and Gary McCorkell resigning from the Board due to work commitments. We would like to thank both Mike and Gary for the wonderful job they did in the time they were on the Board.

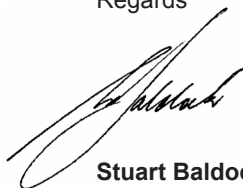
Our thanks go to our Branch Manager, Michelle Lennox, and branch staff for their efforts over the past year. It is often said that there is a positive difference about **Community Bank®** branches. Whilst some of this reflects the nature of our products, the major difference is the positive and friendly nature of our staff. Positive comments are often made to Directors about the efficiency and friendliness of the staff we have at Gosnells.

Despite having busy daily schedules, our Directors volunteer their time to serve on the Gosnells **Community Bank®** Board. In doing so, they not only give of their time and expertise, but also support our community. Some of our Directors have several community hats which enhances our networking capacity.

It is a pleasure to serve with such committed and loyal people who see their task as ensuring our **Community Bank®** branch has a strong community focus.

In closing, I thank you, our shareholders and customers, for your continued support and encouragement. We all look forward to seeing all shareholders at the Annual General Meeting on Tuesday 28 November.

Regards



Stuart Baldock

Manager's report

For year ending 30 June 2006

I am pleased to report that over the past year our business has continued to grow with a total business portfolio as at 30 June 2006 of \$53.1 million with a total of 7073 accounts held. This is split between deposits of \$37.6 million and lending of \$15.5 million.

As at June 2005 our total business portfolio was \$43.1 million with a total of 6497 accounts held. In summary, our business has grown by \$10 million and our accounts have increased by 576.

I would like to acknowledge and thank staff members Julie Collova, Louise Phillips, Anne Doherty, Andrea Howard, Alison Keene and Sharon Saunders for their commitment and support during the year.

I also thank the Board of Directors for their support and guidance together with our business partners within Bendigo Bank.

The Directors contribute many hours (sometimes days) of their own time attending business functions, meetings, and networking seminars, leave alone the organising of sponsorships and various marketing ideas planned for the coming year.

All the above people have contributed in so many ways to enhance Gosnells **Community Bank®** Branch, to promote our products and services and to grow our business.

Finally, I would like to thank all our Shareholders and Customers for their continuing support and for promoting their **Community Bank®** Branch with pride and confidence which ultimately benefits the community as a whole.



Michelle Lennox
Branch Manager

Directors' report

Your Directors present their report together with the financial report of the Company for the year 30 June 2006.

Directors

The names and qualifications of Directors in office at any time during or since the end of the year are:

Stuart Brian Stanley Baldock (Chairman)

Occupation: Manager

Background information: Business management, accountant, property development.

Lily Bahnam

Occupation: Business Proprietor

Background information: Bachelor in Business Administration, Masters in Industrial Relations UWA.
Small business owner in Gosnells for 16 years.

Judith Van Der Linden

Occupation: Company Director and administrator

Background Information: Completed two years at Secondary Teachers College, Nedlands and served 20 years as a Law Clerk before administering her husband's accounting practice in Maddington.

Angela Yates

Occupation: Business Proprietor

Background Information: Printing business Maddington

Vibeke (Vivi) Anhstrom

Occupation: Business Proprietor

Background Information: Tools, Hire and Curtain Business Gosnells 16 year, and Justice of the Peace.

Bill Walter (Appointed August 2005)

Occupation: Business Proprietor

Background Information: Diploma Credit Manager. Resided locally for 29 years. Former President of Crestwood Home Owners Association. On the Board of BEC Gosnells/Armadale and Member of Business & Tourism.

Graeme Watson (Appointed January 2006)

Occupation: Real Estate Agent

Background Information: Licensee & Manager of Ray White Real Estate in Gosnells.

Gary McCorkell (Resigned March 2006)

Michael David Devereux (Resigned July 2006)

Company Secretary

Lily Bahnam

Directors' report continued

Directors Meetings Attended

During the financial year, 11 meetings of Directors were held. Attendances by each Director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
Stuart Brian Stanley Baldock	11	11
Lily Bahnam	11	11
Judith Van Der Linden	11	11
Angela Yates	11	8
Vibeke (Vivi) Anhstrom	11	9
Bill Walter	10	8
Graeme Watson	5	4
Michael David Devereux	11	10
Gary McCorkell	9	5

Principal Activity and Review of Operations

The principal activity and focus of the Company's operations during the year was the operation of, Gosnells Bank Branch of Bendigo Bank, pursuant to a franchise agreement.

Operating Results

The amount of the profit from ordinary activities of the Company after income tax was \$45,491 for the year ended 30 June 2006. (2005: \$28,952)

Dividends

No recommendation has been made for the payment of dividend.

Significant Changes in 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 period under review, not otherwise disclosed in these financial statements.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial period, that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Directors' report continued

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director of the Company, and for the executives receiving the highest remuneration.

Remuneration policy

All Directors of the Company are on a voluntary basis therefore no remuneration policy is currently relevant

The remuneration policy of the Company has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives to run and manage the Company, as well as create goal congruence between executives and shareholders.

The board's policy for determining the nature and amount of remuneration for senior executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives and bonuses, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to executives is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with executives to ensure buy-in. The measures are specifically tailored to the areas each executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Directors' report continued

Remuneration policy (continued)

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures, however, where the KPI involves comparison of the Company to the market, independent reports are obtained from organisations such as Standard & Poors.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Details of remuneration for year ended 30 June 2006

The remuneration for each executive officer of the Company receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Michelle Lennox	80,096	6,309			86,405	
	80,096	6,309			86,405	

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Employment contracts of senior executives

The employment conditions of the executives are formalised in contracts of employment. All executives are permanent employees of the Company.

The employment contracts stipulate a range of one- to three-month resignation periods. The Company may terminate an employment contract without cause by providing 1 month written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Directors' report continued

Indemnifying Officer or Auditor

Indemnities have been given, during and since the end of the financial period, for any persons who are or have been a Director or an officer, but not an Auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Non-audit Services

The board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to Auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to the external Auditors during the year ended 30 June 2006:

	\$
Taxation and other services	3,116
	3,116

Share Options

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

Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within the financial statements.

Adoption of Australian equivalents to International Financial Reporting Standards

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the Company's financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to Australian equivalents to IFRS is included in Note 26 to this report.

Signed in accordance with a resolution of Directors


Director

Dated this 24 day of Oct 2006

Financial statements

Income statement

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
Revenue	2	663,088	558,991
Employee benefits expense		(321,344)	(295,189)
Depreciation and amortisation expense		(47,153)	(45,909)
Finance Costs		(5,852)	(4,826)
Other expenses	3	(224,269)	(184,115)
Profit before income tax		64,470	28,952
Income tax expense	4	(18,979)	-
Profit attributable to members		45,491	28,952
Overall Operations			
Basic earnings per share (cents per share)	19	7.68	4.89
Diluted earnings per share (cents per share)	19	7.68	4.89

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet
As at 30 June 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash assets	5	89,953	18,053
Receivables	6	60,903	55,443
Other	7	8,223	18,424
TOTAL CURRENT ASSETS		159,079	91,920
NON CURRENT ASSETS			
Property, plant and equipment	8	35,802	65,547
Intangible assets	9	4,167	14,167
Deferred Tax Asset	27	115,754	-
Other	7	-	2,500
TOTAL NON CURRENT ASSETS		155,723	82,214
TOTAL ASSETS		314,802	174,134
CURRENT LIABILITIES			
Payables	10	39,959	47,519
Interest bearing liabilities	11	-	29,434
Provisions	12	12,288	14,849
TOTAL CURRENT LIABILITIES		52,247	91,802
TOTAL LIABILITIES		52,247	91,802
NET ASSETS		262,555	82,332
EQUITY			
Contributed equity	13	588,400	588,400
Accumulated losses	14	(325,845)	(506,068)
TOTAL EQUITY		262,555	82,332

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of change in equity For the year ended 30 June 2006

	Share Capital (Ordinary shares) \$	Retained losses \$	Total \$
Balance at 1 July 2004	588,400	(535,020)	53,380
Profit attributable to the members of the company	-	28,952	28,952
Balance at 30 June 2005	588,400	(506,068)	82,332
Balance at 1 July 2005	588,400	(506,068)	82,332
Profit attributable to the members of the company	-	45,491	45,491
Deferred tax asset brought to account	-	134,732	134,732
Balance at 30 June 2006	588,400	(325,845)	262,555

The accompanying notes form part of these financial statements.

Financial statements continued

Cash flow statement

For the year ended 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Receipts from customers		657,033	542,871
Interest received		594	5
Payments to suppliers and employees		(543,132)	(476,490)
Borrowing costs paid		(5,852)	(4,826)
Net cash provided by/(used in) operating activities	15(b)	108,643	61,560
Cash flows from investing activities			
Payments for plant and equipment		(7,408)	(15,007)
Net cash used in investing activities		(7,408)	(15,007)
Net increase / (decrease) in cash held		101,235	46,553
Cash held at the beginning of the financial year		(11,382)	(57,935)
Cash held at the end of the financial year	15(a)	89,953	(11,382)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report covers Gosnells Financial Services Limited as an individual entity. Gosnells Financial Services Limited is a Company limited by shares, incorporated and domiciled in Australia.

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

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

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Gosnells Financial Services Limited has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the Company accounts resulting from the introduction of IFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Gosnells Financial Services Limited to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. The Company has however elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation. Refer Note 24 for further details.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 26 to this report.

Reporting Basis and Conventions

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

Notes to the financial statements continued

For the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Accounting Policies

(b) Income Tax

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

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

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

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

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

(c) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Notes to the financial statements continued

For the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	20%

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

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

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

(d) Leases

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

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

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

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

(e) Financial Instruments

Recognition

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

Notes to the financial statements continued

For the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(e) Financial Instruments

Financial assets at fair value through profit and loss

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

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

Fair value

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

Impairment

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

(f) Impairment of Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

Notes to the financial statements continued

For the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(h) Employee Benefits

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.

(i) Provisions

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

(j) Cash and Cash Equivalents

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

(k) Revenue

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

Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(m) Goods and Services Tax (GST)

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

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

Notes to the financial statements continued

For the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(n) Comparative Figures

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

Critical accounting estimates and judgments

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

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2006. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2006 amounting to \$4,167.

Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$
2. REVENUE		
Operating activities		
Franchise margin income	657,821	558,985
Interest received	594	5
Sundry income	4,673	1
	663,088	558,991
3. OTHER EXPENSES		
(a) Expenses		
Rental expense	46,204	44,841
Office Supplies	101,811	89,647
Other operating expenses	76,254	49,627
	224,269	184,115
(b) Auditor's remuneration		
- Audit services	3,000	3,000
- Other services	3,116	3,000
	6,116	6,000

Notes to the financial statements continued

For the year ended 30 June 2006

4. INCOME TAX EXPENSE

No income tax is payable by the Company as it has recouped tax losses brought to account for income tax purposes.

	2006	2005
	\$	\$
a. The components of tax expense comprise:		
Current tax		
Deferred tax (Note 27)	(2,734)	
Recoupment of prior year tax losses	21,713	
Under/(over) provision in respect of prior years		
	18,979	-
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2005: 30%)	19,341	8,686
Add:		
Tax effect of:		
— non-deductible depreciation and amortization	3,000	3,000
Less:		
Tax effect of:		
— other non-allowable items	628	2,364
— recoupment of prior year tax losses not previously brought to account	21,713	9,322
Income tax attributable to entity	0	0
The applicable weighted average effective tax rates are as follows:		

At balance date, the Company had tax losses of \$373,404 (2005: \$445,781) which are available to offset future years' taxable income.

Notes to the financial statements continued

For the year ended 30 June 2006

4. INCOME TAX EXPENSE (continued)

The future income tax benefit of these tax losses is \$112,021 (2005: \$133,734). This benefit has been recognised as an asset in the Balance Sheet as its realisation is highly probable. The benefits will only be obtained if:

- (a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Company continues to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

	2006	2005
	\$	\$

5. CASH ASSETS

Cash at bank	89,803	17,903
Cash on hand	150	150
	89,953	18,053

6. RECEIVABLES

Trade debtors	60,903	55,443
---------------	--------	--------

7. OTHER

Current

Prepayments	8,223	18,424
-------------	-------	--------

Non current

Prepayments	-	2,500
-------------	---	-------

8. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment		
Cost	190,705	183,297
Accumulated depreciation	(154,903)	(117,750)
	35,802	65,547

Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Movement in carrying amount		
Balance at the beginning of the year	65,547	86,449
Additions	7,408	15,007
Depreciation expense	(37,153)	(35,909)
Carrying amount at the end of the year	35,802	65,547

9. INTANGIBLE ASSETS

Franchise fee at cost	50,000	50,000
Accumulated amortisation	(45,883)	(35,833)
	4,167	14,167

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank at Gosnells, trading as "Gosnells Branch – Bendigo Bank", providing a core range of banking products and services. The Company entered into the franchise agreement at a cost of \$50,000 that is being amortised on the basis disclosed in Note 1 (g).

10. PAYABLES

Trade creditors and accruals	29,146	32,867
GST payable	10,813	14,652
	39,959	47,519

11. INTEREST BEARING LIABILITIES

Bank overdraft	-	29,434
Security		
The bank overdraft is secured by a floating charge over the Company's assets.		

Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$
12. PROVISIONS		
Provision for employee entitlements	12,288	14,849
Number of employees at year end	8	12
13. CONTRIBUTED EQUITY		
592,180 (2005: 592,180) fully paid ordinary shares	592,180	592,180
Cost of raising equity	(3,780)	(3,780)
	588,400	588,400
14. ACCUMULATED LOSSES		
Balance at the beginning of the reporting period	(506,068)	(535,020)
Profit attributable to members of the Company	45,491	28,952
Net change on adoption of IFRS	134,732	-
Balance at the end of the reporting period	(325,845)	(506,068)
15. NOTES TO THE CASH FLOW STATEMENT		
(a) Reconciliation of cash		
For the purpose of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet as follows:		
Cash on hand	150	150
Cash at bank	89,803	17,903
Bank overdraft	-	(29,434)
	89,953	(11,382)

Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$

15. NOTES TO THE CASH FLOW STATEMENT (continued)

(b)	Reconciliation of net cash provided by/(used in) operating activities to profit/(loss)	
Profit	45,491	28,952
Depreciation and amortisation	47,153	45,909
Movement in assets and liabilities		
Receivables	(5,460)	(16,114)
Other assets	12,600	12,240
Payables	(7,560)	(12,753)
Income tax expense	18,979	-
Provisions	(2,560)	3,326
Net cash provided by/(used in) operating activities	108,643	61,560

(c) Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present. At 30 June 2005 this facility was \$29,434.

16. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) The names and positions of Directors and Executive in office at any time during the financial year are:

Directors	Position
Stuart Brian Stanley Baldock	Chairman/Treasurer
Lily Bahnam	Secretary
Judith Van Der Linden	Non-Executive Director
Angela Yates	Non-Executive Director
Vibeke (Vivi) Anhstrom	Non-Executive Director
Bill Walter	Non-Executive Director
Graeme Watson	Non-Executive Director
Giovana Cecile Neves (Resigned July 2005)	Non-Executive Director
Gary McCorkell (Resigned March 2006)	Non-Executive Director
Michael David Devereux (Resigned July 2006)	Non-Executive Director

Executives

Michelle Lennox Bank Manager

Notes to the financial statements continued

For the year ended 30 June 2006

16. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(b) Compensation Practices

The board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Key management personnel are paid a percentage of their salary in the event of redundancy.

The employment conditions of the key management personnel are formalised in contracts of employment. All key management personnel are permanent employees of the Company.

The employment contract stipulates a range of resignation periods. The Company may terminate an employment contract without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel.

(c) Remuneration of Directors

No income was paid or was payable or otherwise made available, to the specified Directors of the Company during the years ended 30 June 2005 and 30 June 2006.

(d) Remuneration of Executives

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Michelle Lennox	80,096	6,309			86,405	
	80,096	6,309			86,405	

Notes to the financial statements continued

For the year ended 30 June 2006

16. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(e) Options

No options over issued shares or interests in the Company were granted to Directors or Executive during or since the end of the financial period and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

(f) Shareholdings

Shareholder		Balance 1 July 2005	Balance 30 June 2006
Directors			
Stuart Brian Stanley Baldock	Self	13,500	1,001
	Related parties	-	2,500
Lily Bahnam	Self	3,378	3,378
	Related parties	1,655	1,655
Judith Van Der Linden	Related parties	500	500
Angela Yates	Self	-	-
Vibeke (Vivi) Anhstrom	Self	-	-
Bill Walter	Self	-	-
Graeme Waston	Self	1,001	1,001
	Related parties		
Gary McCorkell (Resigned)	Self	-	-
Giovana Cecile Neves	Self	1,000	1,000
(Resigned)	Related parties	100	100
Michael David Devereux	Self	1	1
(Resigned)	Related parties	1,300	1,300
Michelle Lennox	Self	-	-
TOTAL		22,435	12,436

Notes to the financial statements continued

For the year ended 30 June 2006

17. RELATED PARTY TRANSACTIONS

During the financial year, Stuart Baldock provided consulting services through his business – Baldock Consulting Services (Caradon Pty Ltd), amounting to \$3,300 (GST Included) under normal commercial terms and conditions.

Director, Angela Yates also provided printing services through her PrintSmart business amounting to \$6,200 also under normal commercial terms and conditions.

No other related parties have entered into a transaction with the Company during the financial years ended 30 June 2005 and 30 June 2006.

	2006	2005
	\$	\$

18. LEASING COMMITMENT

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
- Not longer than 1 year	8,543	34,172
- Longer than 1 year but not longer than 5 years	-	8,543
	8,543	42,715

19. EARNINGS PER SHARE

a. Reconciliation of earnings to profit or loss		
Profit	45,491	28,952
Earnings used to calculate basic EPS	45,491	28,952
Earnings used in the calculation of dilutive EPS	45,491	28,952
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	592,180	592,180
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	592,180	592,180

Notes to the financial statements continued

For the year ended 30 June 2006

20. FINANCIAL INSTRUMENTS

(a) Interest rate risk

2006	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
Financial Assets						
Cash assets	6.00%	89,803	-	-	150	89,953
Receivables		-	-	-	60,903	60,903
		89,803	-	-	61,053	150,856
Financial Liabilities						
Payables		-	-	-	(39,959)	(39,959)
Interest bearing liabilities		-	-	-	-	-
Provisions		-	-	-	(12,288)	(12,288)
		-	-	-	(52,257)	(52,257)
Net financial assets		89,803	-	-	8,796	98,599

2005	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
Financial Assets						
Cash assets	6.00%	17,903	-	-	150	18,053
Receivables		-	-	-	55,443	55,443
		17,903	-	-	55,593	73,496
Financial Liabilities						
Payables		-	-	-	(47,519)	(47,519)
Interest bearing liabilities	8.40%	(29,434)	-	-	-	(29,434)
Provisions		-	-	-	(14,849)	(14,849)
		(29,434)	-	-	(62,368)	(91,802)
Net financial liabilities		(11,531)	-	-	(6,775)	(18,306)

Notes to the financial statements continued

For the year ended 30 June 2006

20. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

(c) Net fair values

The net fair value of financial assets and liabilities of the Company approximates their carrying amount.

The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

21. SEGMENT REPORTING

The Company operates in the financial services sector as a branch of Bendigo Bank at Gosnells in Western Australia.

22. EVENTS SUBSEQUENT TO THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial period that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

23. CONTINGENT LIABILITIES

There were no contingent liabilities at the reporting date.

Notes to the financial statements continued

For the year ended 30 June 2006

24. CHANGE IN ACCOUNTING POLICY

(a) The Company has adopted the following accounting standards for application on or after 1 January 2005:

- AASB 132: Financial Instruments: Disclosure and Presentation
The changes resulting from the adoption of AASB 132 relate primarily to increased disclosures required under the Standard and do not affect the value of amounts reported in the financial statements.

The following Australian Accounting Standards issued or amended and are applicable to the Company but not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Company
2004–3	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2006	1 July 2006
	AASB 124: Related Party Disclosures	No change, no impact	1 January 2006	1 July 2006
2005–1	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–5	AASB 1: First-time Adoption of AIFRS	No change, no impact	1 January 2006	1 July 2006
	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2006	1 July 2006
2005–6	AASB 3: Business Combinations	No change, no impact	1 January 2006	1 July 2006
2005–9	AASB 132: Financial Instruments: Recognition and Measurement	No change	1 January 2006	1 July 2006
2005–10	AASB 139: Financial Instruments: Recognition and Measurement	No change, no impact	1 January 2007	1 July 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 January 2007	1 July 2007
	AASB 114: Segment Reporting	No change, no impact	1 January 2007	1 July 2007

Notes to the financial statements continued

For the year ended 30 June 2006

24. CHANGE IN ACCOUNTING POLICY (continued)

All other pending Standards issued between the previous financial report and the current reporting dates have no application to the Company.

AASB Amendment	AASB Standard Affected
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation
2005-9	AASB 4: Insurance Contracts
	AASB 1023: General Insurance Contracts
	AASB 139: Financial Instruments: Recognition and Measurement
	AASB 132: Financial Instruments: Disclosure and Presentation

25. COMPANY DETAILS

The registered office and principal place of business of the Company is:

2227 Albany Highway
Gosnells WA 6110

Notes to the financial statements continued

For the year ended 30 June 2006

26. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Reconciliation of Equity at 1 July 2004	Previous GAAP at 1 July 2004 \$	Effect of transition to IFRS \$	AIFRS at 1 July 2004 \$
CURRENT ASSETS			
Cash and cash equivalents	3,666	-	3,666
Trade and other receivables	39,329	-	39,329
Other	16,306	-	16,306
TOTAL CURRENT ASSETS	59,301	-	59,301
NON CURRENT ASSETS			
Property, plant and equipment	86,449	-	86,449
Intangibles	24,167	-	24,167
Other	8,500	-	8,500
TOTAL NON CURRENT ASSETS	119,116	-	119,116
TOTAL ASSETS	178,417	-	178,417
CURRENT LIABILITIES			
Trade and other payables	51,913	-	51,913
Interest bearing liabilities	61,601	-	61,601
Short term provisions	11,523	-	11,523
TOTAL CURRENT LIABILITIES	125,037	-	125,037
TOTAL LIABILITIES	125,037	-	125,037
NET ASSETS	53,380	-	53,380
EQUITY			
Contributed equity	588,400	-	588,400
Retained losses	(535,020)	-	(535,020)
TOTAL EQUITY	53,380	-	53,380

Notes to the financial statements continued

For the year ended 30 June 2006

26. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of Equity at 30 June 2005	Previous GAAP at 30 June 2005 \$	Effect of transition to IFRS \$	AIFRS at 30 June 2005 \$
CURRENT ASSETS			
Cash and cash equivalents	18,053	-	18,053
Trade and other receivables	55,443	-	55,443
Other	18,424	-	18,424
TOTAL CURRENT ASSETS	91,920	-	91,920
NON CURRENT ASSETS			
Property, plant and equipment	65,547	-	65,547
Intangibles	14,167	-	14,167
Other	2,500	-	2,500
TOTAL NON CURRENT ASSETS	82,214	-	82,214
TOTAL ASSETS	174,134	-	174,134
CURRENT LIABILITIES			
Trade and other payables	47,519	-	47,519
Interest bearing liabilities	29,434	-	29,434
Short term provisions	14,849	-	14,849
TOTAL CURRENT LIABILITIES	91,802	-	91,802
TOTAL LIABILITIES	91,802	-	91,802
NET ASSETS	82,332	-	82,332
EQUITY			
Contributed equity	588,400	-	588,400
Retained losses	(506,068)	-	(506,068)
TOTAL EQUITY	82,332	-	82,332

Notes to the financial statements continued

For the year ended 30 June 2006

26. FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Reconciliation of Profit or Loss for the full year 30 June 2005	Previous GAAP at 30 June 2005 \$	Effect of transition to IFRS \$	AIFRS at 30 June 2005 \$
Revenue	558,991	-	558,991
Employee benefits expense	(295,189)	-	(295,189)
Depreciation and amortisation expenses	(45,909)	-	(45,909)
Borrowing costs	(4,826)	-	(4,826)
Other expenses	(184,115)	-	(184,115)
Profit before income tax expense	28,952	-	28,952
Income tax expense	-	-	-
Net profit from ordinary activities after income tax expense	28,952	-	28,952
Total changes in equity other than those resulting from transactions with owners as owners	28,952	-	28,952

Notes to reconciliations of equity and profit and loss at 1 July 2004, 31 December 2004 and 30 June 2005

	\$
Retained losses at 1 July 2004 under previous GAAP	(535,020)
IFRS equivalent of retained losses at 1 July 2004	(535,020)
Loss for the half year ended 31 December 2004	(9,265)
IFRS equivalent of retained losses at 31 December 2004	(544,285)
Profit for the half year ended 30 June 2005	38,217
IFRS equivalent of retained losses at 30 June 2005	(506,068)

Notes to the financial statements continued

For the year ended 30 June 2006

27. TAX

	2006	2005
	\$	\$
b. Assets		
<i>Deferred tax assets comprise:</i>		
Provisions	3,733	
<i>Impairment of property, plant and equipment</i>		
Other	112,021	
	115,754	-
c. Reconciliations		
i. Gross Movements		
<i>The overall movement in the deferred tax account is as follows:</i>		
Opening balance	0	
Charge/(credit) to income statement	(18,980)	
Credit to equity	134,734	
Closing balance	115,754	-
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>Provisions</i>		
Opening balance	0	
Credited to the income statement	2,733	
Credit to equity	1,000	
Closing balance	3,733	-
<i>Other</i>		
Opening balance	0	
Credited (charged) to the income statement	(21,713)	
Credit to equity	133,734	
Closing balance	112,021	-

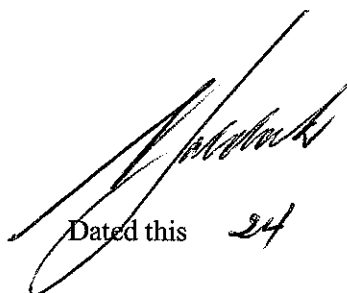
Director's declaration

Gosnells Financial Services Limited
ABN 11 095 764 533
Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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


Dated this 24 day of Oct. 2006

Independent audit report

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GOSNELLS FINANCIAL SERVICES LIMITED

Scope

The financial report, remuneration disclosures and Directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the Directors' declaration for Gosnells Financial Services Limited (the Company) for the year ended 30 June 2006.

The Company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by Accounting Standards AASB 124 Related Party Disclosures (AASB 124), under the heading "remuneration report" in the Directors' report, as permitted by the Corporations Regulations 2001.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. 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 and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position and of their performance as represented by the results of its operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

*Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Independent audit report continued

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

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 remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion,

1. the financial report of Gosnells Financial Services Limited is in accordance with:
 - (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in the Directors' report comply with AASB 124 and the Corporations Regulations 2001.

RSM Bird Cameron Partners.
RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall
DAVID WALL
Partner

Perth, WA
Dated this 25 day of October, 2006

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Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

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Auditor's independence declaration

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF

GOSNELLS FINANCIAL SERVICES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

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

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall

DAVID WALL
Partner

Perth, WA
Dated this 24 day of October 2006

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Major Offices in:
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Adelaide and Canberra
ABN 36 965 185 036

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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 27 October 2006.

A. 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 is currently working towards adopting policies and procedures that will govern our Company into the future. We believe that building policy framework will assist the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

B. Substantial Shareholders - twenty largest Shareholders

		Number of ord.Shares	% Held
1.	Gaby & Patricia Nagy	13,000	2.2
2.	Leonard Axford	10,000	1.69
3.	Doreen Calway	10,000	1.69
4.	Walter Calway	10,000	1.69
5.	William & Patricia Coote	10,000	1.69
6.	Wilfred Gwilliam	10,000	1.69
7.	Wayne Holl	10,000	1.69
8.	Peter & Elvira Horn	10,000	1.69
9.	Walter & Joan King	10,000	1.69
10.	Donald Lill	10,000	1.69
11.	Barry Mayberry	10,000	1.69
12.	Miels Pty Ltd Greville's Super Plan	10,000	1.69
13.	Raymond Paul	7,000	1.18
14.	Jean Pitter	6000	1.01
15.	Regyam Pty Ltd (Brown Directors Super Fund)	6000	1.01
16.	Patricia Adam	5000	0.845
17.	Melville & Yvonne Beazley	5000	0.845
18.	Gordon & Rosalind Bradford	5000	0.845
19.	Rina Fiorentino	5000	0.845
20.	Gregory Fowler	5000	0.845

C. Voting rights

Each Shareholder has one vote regardless of the number of shares held.

BSX continued

D. Distribution of Shareholders

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

	Ordinary Shares	
	Number of holders	Number of Shares
1 - 1000	378	180,002
1001 - 5000	96	270,178
5001 - 10000	14	129,000
10001 - 100000	1	13,000
100001 and over	0	0
Total		592,180

E. 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 Committee.

F. Address and telephone number of the office where the securities register is kept:

Gosnells **Community Bank**® Branch
2227 Albany Highway,
Gosnells WA 6110
Telephone: 08 9490 4233

G. Gosnells Financial Services Limited

Lily Bahnam
Company Secretary
26 Narcisus Ave,
Parkwood WA 6147
Telephone: 08 08 9398 1219
