



# 2006 annualreport

Mandurah Community  
Financial Services Limited  
ABN 56 098 081 308

Halls Head **Community Bank**<sup>®</sup> Branch  
Shop7, Halls Head Shopping Centre, Corner Peelwood & Glencoe Parade, Halls Head, WA 6210  
Phone: (08) 9586 1399 Fax: (08) 9586 1522

Franchisee: Mandurah Community Financial Services Limited  
ABN 56 098 081 308  
Registered Office C/- Ward & Ilsley Partners Pty Ltd, 55c Mandurah Terrace, Mandurah, WA 6210

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550  
ABN 11 068 049 178. (AFSL 237879) (PSW1006) (08/06)

Halls Head  
**Community Bank**<sup>®</sup> Branch  **Bendigo Bank**

# Contents

---

<b>Chairman's report</b>	<b>2-3</b>
<b>Manager's report</b>	<b>4</b>
<b>Directors' report</b>	<b>5 - 10</b>
<b>Financial statements</b>	<b>11-14</b>
<b>Notes to financial statements</b>	<b>15 - 38</b>
<b>Directors' declaration</b>	<b>39</b>
<b>Independent audit report</b>	<b>40 - 41</b>
<b>Auditor Independence declaration</b>	<b>42</b>
<b>BSX report</b>	<b>43 - 44</b>

# Chairman's report

---

For the year ended 30 June 2006

## BACKGROUND

As always your Board has pleasure in presenting the Annual Report to you, our Shareholders.

The Halls Head **Community Bank®** Branch is one of 33 **Community Bank®** branches in Western Australia, part of a chain of more than 340 community and company branches throughout Australia. Combined, these branches have made a significant contribution to community through better banking services and financial support of local community projects and organisations.

## CURRENT POSITION

As stated in the Branch Manager's report, you will notice a continued increase in the number of accounts and the level of deposits made. Our profile and level of service has been enhanced by our spread of automatic teller machines. This financial year also saw the first dividend payment to our Shareholders.

The Board continues to recognise the opportunities to further develop and grow the business within our area and is therefore considering further ways of extending our influence and profile. The Board has continued to support the strategic partnership with the Mandurah Performing Arts Centre and has initiated two new strategic partnerships which are mutually beneficial and profile raising.

Our partnership with the Peel Health Campus Foundation saw a significant financial contribution made to their fundraising campaign for a new children's ward at the hospital.

Our partnership with the Small Business Centre Peel provides financial assistance for the establishment of a Management Development Centre which will offer business advice to people wishing to start new businesses.

Our population continues to grow at a rapid rate and we therefore see the need for the strengthening of our small business sector to provide employment and services for our community.

As well as these major initiatives, Halls Head **Community Bank®** Branch has supported Streetnet Youth Service, four local primary schools and other community organisations.

Our original plan was to return personalised banking services to the region. We have done that with considerable success and now we have reached the stage of making a significant financial contribution to community projects. So far your bank branch has contributed close to \$130,000 to positive local initiatives.

Our listing on the Bendigo Stock Exchange has seen strong interest in our shares, indicating the respect your company has achieved in the sector.

## STAFF

Our thanks to our Manager David Williams and 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. Unsolicited positive comments are often made to Directors about the efficiency and friendliness of the staff we have at Halls Head.

Our sincere thanks to them for their support.

# Chairman's report continued

---

For the year ended 30 June 2006

## **BOARD MEMBERS**

Despite having busy daily schedules, our Directors volunteer their time to serve on the **Community Bank®** Board. In doing so, they not only give of their time and expertise, but also support our community.

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

## **CONCLUSION**

Having completed another successful year, the Board continues to remain confident in the long term growth prospects of the company and looks forward to the continued support of the Shareholders and the community at large.



David J Waddell  
Chairman

# Manager's report

---

For the year ended 30 June 2006

The Halls Head **Community Bank®** Branch of Bendigo Bank has now been open for four and a half years.

How quick that time has gone and what a great story it is.

Over \$80 million in business, 6500 customers, a second Shareholder dividend paid this year and ever increasing support to the local community.

The journey really started five and a half years ago when local business proprietor Allan Raynor and a committed group from varying backgrounds began talking to Bendigo Bank about a **Community Bank®** branch for the Mandurah area.

The rest is history except to say that a lot of hard work by the initial steering committee, interim Board and subsequent Board members has assisted the branch staff in establishing a strong, locally owned bank branch.

Since opening we have seen several staff changes and I would like to thank all staff for their efforts over the past four and a half years.

**Current branch staff are ;**

Vicki Collins	Supervisor
Margo Bowden	Loans Officer
Michael Boldys	Customer Service Officer
Sheryl Ham	Customer Service Officer
Gen Cohen	Customer Service Officer
Meegan Becker	Customer Service Officer
Amanda Legg	Customer Service Officer
David Williams	Branch Manager

Over the past 12 months, branch staff have not only provided a high level of customer service within the branch, but have also been involved in several local community events including the Peel Health Campus Foundation walk, the Youthcare walk and the Ocean Road Primary School beach carnival.

The ongoing success of our **Community Bank®** branch remains closely linked to the support we receive from our Shareholders, existing clients, the local community and to the bank's continued commitment and involvement within our community.

In essence, this is what community banking is all about.

We look forward to the future challenges and to taking our business to the next level.

Regards



David Williams  
Branch Manager

# Directors' report

---

For the year ended 30 June 2006

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

## Directors

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

### **Allan Jeffrey Raynor**

Date of Birth: 16 June 1947

Occupation: Company Director / Newsagent

Background information: Newsagent at Halls Head since 1999. Retired Area Manager Telecom Australia after 30 years service. Former Director Swan Districts Football Club.

### **Adam Hollyock ACA, FTIA, FTAA (Resigned 25 November 2005)**

Date of Birth: 26 March 1964

Occupation: Chartered Accountant

Background information: Proprietor of A.M. Hollyock & Associates (Chartered Accounting firm).

### **Antony Solin (Resigned 25 November 2005, Reappointed 2 May 2006)**

Date of Birth: 3 September 1957

Occupation: Currently the CEO of the Peel Health Campus Foundation and senior management at the Peel Health Campus for five years. Previously the initial welfare Manager at the Fremantle Dockers.

Background information: Dip Ed – Dip Fac Manager.

### **David Waddell**

Date of Birth: 24 November 1940

Occupation: Business Development Consultant

Background information: 15 years in top level administration at Curtin University. Awarded a Curtin Fellowship Award in 2002. Former Chairperson and board member for many organisations. Continues to contribute in a leadership role on committees for community development in the Peel region where he resides.

### **Karen McLennan (Resigned 30 July 2006)**

Date of Birth: 15 July 1973

Occupation: Health Promotion Officer – South Metropolitan Health Unit

Background information: Completed Bachelor of Arts – Social Sciences (Monash University). Former Management Committee member of Pat Thomas Memorial House and a current member of the Peel Health Campus Board of Advice.

### **Karen Maureen Hadida**

Date of Birth: 7 July 1964

Occupation: Home Duties

Background information: Former Project Secretary for development company. Former Personal Secretary for a national insurance company. Past President of Glencoe Primary School Parents and Citizens Association. City of Mandurah resident for 29 years.

### **Peter Drown**

Date of Birth: 23 October 1940

Occupation: Retired

Background information: Former bank Manager for Westpac Banking Corporation.

### **Christine Steer (Resigned 11 September 2006)**

Date of Birth: 18 October 1954

Occupation: Manager of Environmental Cultural Development at Peel Development Commission

Background information: Research Project Officer at Peel Development Commission for past 4 years, involved in Government Funded Organisations and represents Peel Development Commission in Environmental and Cultural Sector.

# Directors' report continued

---

For the year ended 30 June 2006

## Directors'(continued)

### **Ian Ilsley CPA**

Date of Birth: 14 June 1961

Occupation: Certified Practising Accountant

Background information: Director of Ward and Ilsley Partners Pty Ltd, Certified Practising Accountants, Treasurer of Frederick Irwin Anglican School Parents & Friends Association for past 10 years, Treasurer of Mandurah Country Club for past 5 years and previously the Treasurer of Mandurah Peel Region Chamber of Commerce for 4 years.

### **Colin Frizzell**

Date of Birth: 8 August 1939

Occupation: Formerly State Manager – Ulster Carpets

Background information: Colin has over 30 years experience in sales and marketing in carpeting and textiles. Currently the State Manager of Ulster Carpets specialising in designing and specifying hospitality, gaming and casino carpets.

### **Arron Minchin (Appointed 11 September 2006)**

Date of Birth: 2 June 1971

Occupation: Manager with Peel Development Commission.

Background information: Currently work with the Peel Development Commission as the Manager of Regional Services and prior to that was the Manager of the Peel Region for the Department of Sport and Recreation.

### **Lisa Craig (Appointed 11 September 2006)**

Date of Birth: 16 August 1962

Occupation: Community Development Co-ordinator

Background information: Specific interest in areas of community and cultural development, particularly in a social justice framework. Have worked extensively throughout the Peel region.

### **Stanley Brice (Appointed 11 September 2006)**

Date of Birth: 4 July 1951

Occupation: Retired

Background information: Founded Charnley-Brice Pty Ltd with Murray Charnley in February 1994, thus combining 85 years of construction, administration and management expertise in construction of schools, hospitals and high rise CBD office buildings.

## **Company Secretary**

**Ian Ilsley**

## **Directors meetings attended**

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

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Allan Jeffrey Raynor	11	7
Adam Hollyock	5	4
David Waddell	11	10
Karen Maureen Hadida	11	8
Peter Drown	11	10
Christine Steer	11	9
Ian Ilsley	11	11
Antony Solin	6	3
Karen McLennan	11	7
Colin Frizzell	11	8

# Directors' report continued

---

For the year ended 30 June 2006

## **Principal Activity and Review of Operations**

The principal activity and focus of the Company's operations during the year was the operation of, Mandurah 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 \$92,319 for the year ended 30 June 2006. (2005: profit of \$96,740).

## **Dividends**

The company has declared a dividend of \$35,669 since year end. This is anticipated to be paid in October.

## **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 year under review, not otherwise disclosed in these financial statements.

## **Events After Balance 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.

## **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.

## **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:



# Directors' report continued

---

For the year ended 30 June 2006

## **Remuneration policy (continued)**

- 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.

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.

# Directors' report continued

For the year ended 30 June 2006

## 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 \$	Super- annuation Contribution \$	Cash Bonus \$	Non-cash Benefits \$	Total \$	Performance related %
<i>David Williams</i>	83,430	7,509			90,939	
	83,430	7,509			90,939	

## 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.

## 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.

# Directors' report continued

---

For the year ended 30 June 2006

## Non-audit Services (continued)

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

	\$
Taxation & other services	3,487
	<b>3,487</b>

## 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 financial year.

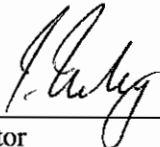
## Auditor's Independence Declaration

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 25 to this report.

Signed in accordance with a resolution of Directors

  
\_\_\_\_\_  
Director

Dated this 4<sup>th</sup> day of October 2006

# Financial statements

## Income statement

For the year ended 30 June 2006

	Notes	2006 \$	2005 \$
<b>Revenue</b>	2	772,375	653,023
Employee benefits expense		(322,880)	(300,321)
Depreciation and amortisation expense		(38,065)	(35,764)
Finance costs		-	-
Other expenses	3	(280,131)	(220,198)
<b>Profit before income tax expense</b>		<b>131,299</b>	<b>96,740</b>
<b>Income tax expense</b>	4	<b>(38,980)</b>	-
<b>Profit attributable to members</b>	<b>92,319</b>	<b>96,740</b>	
<b>Overall Operations</b>			
Basic earnings per share (cents per share)	18	15.5	16.3
Diluted earnings per share (cents per share)	18	15.5	16.3
Dividends per share	17		5.0

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance sheet As at 30 June 2006

	Notes	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Cash assets	13(a)	423,567	264,842
Receivables	5	80,112	65,001
Other	6	11,978	16,177
<b>TOTAL CURRENT ASSETS</b>		<b>515,657</b>	<b>346,020</b>
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	7	50,039	59,248
Intangible assets	8	5,833	15,833
Deferred Tax Asset	26	19,659	58,615
Other	6	-	3,500
<b>TOTAL NON CURRENT ASSETS</b>		<b>75,531</b>	<b>137,196</b>
<b>TOTAL ASSETS</b>		<b>591,188</b>	<b>483,216</b>
<b>CURRENT LIABILITIES</b>			
Payables	9	80,637	48,305
Provisions	10	30,090	50,167
<b>TOTAL CURRENT LIABILITIES</b>		<b>110,727</b>	<b>98,472</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	10	11,078	7,680
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>11,078</b>	<b>7,680</b>
<b>TOTAL LIABILITIES</b>		<b>121,805</b>	<b>106,152</b>
<b>NET ASSETS</b>		<b>469,383</b>	<b>377,064</b>
<b>CONTRIBUTED EQUITY</b>			
Contributed equity	11	590,033	590,033
Accumulated losses	12	(120,650)	(212,969)
<b>TOTAL EQUITY</b>		<b>469,383</b>	<b>377,064</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of changes in equity As at 30 June 2006

	Share Capital (Ordinary shares) \$	Retained losses \$	Total \$
<b>Balance at 1 July 2004</b>	<b>590,033</b>	<b>(344,914)</b>	<b>245,119</b>
Profit/(loss) attributable to the members of the Company	-	96,740	96,740
Net change on adoption of IFRS	-	64,905	64,905
Dividends paid or provided for	-	(29,700)	(29,700)
<b>Balance at 30 June 2005</b>	<b>590,033</b>	<b>(212,969)</b>	<b>377,064</b>
<b>Balance at 1 July 2005</b>	<b>590,033</b>	<b>(212,969)</b>	<b>377,064</b>
Profit / (loss) attributable to the members of the Company	-	92,319	92,319
Dividends paid	-	-	-
<b>Balance at 30 June 2006</b>	<b>590,033</b>	<b>(120,650)</b>	<b>469,383</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

As at 30 June 2006

	Notes	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		746,197	640,517
Payments to suppliers and employees		(549,983)	(448,485)
Interest received		11,067	5,154
<b>Net cash provided by operating activities</b>	<b>13(b)</b>	<b>207,281</b>	<b>197,186</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(18,856)	(12,930)
<b>Net cash used in investing activities</b>		<b>(18,856)</b>	<b>(12,930)</b>
<b>Cash flows from financing activities</b>			
Dividends Paid		(29,700)	(29,700)
<b>Net cash used in financing activities</b>		<b>(29,700)</b>	<b>(29,700)</b>
<b>Net increase / (decrease) in cash held</b>		<b>158,725</b>	<b>154,556</b>
<b>Cash held at the beginning of the financial year</b>		<b>264,842</b>	<b>110,286</b>
<b>Cash held at the end of the financial year</b>	<b>13(a)</b>	<b>423,567</b>	<b>264,842</b>

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 Mandurah Community Financial Services Limited as an individual entity. Mandurah Community Financial Services Limited is a Company limited by shares, incorporated and domiciled in Australia.

The financial report of Mandurah Community 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***

Mandurah Community 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 Mandurah Community 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 23 for further details.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 25 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)

### **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><b>Class of Fixed Asset</b></i>	<i><b>Depreciation Rate</b></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 (continued)

#### *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.

# Notes to the financial statements continued

---

For the year ended 30 June 2006

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### (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.

### (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.

# Notes to the financial statements continued

---

For the year ended 30 June 2006

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### (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.

### (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 \$5,833.

# Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$

## 2. REVENUE

Operating activities		
Franchise margin income	756,393	647,754
Interest received	11,067	5,154
Other income	4,915	115
	<b>772,375</b>	<b>653,023</b>

## 3. OTHER EXPENSES

Rental expenses	69,848	60,476
IT leasing and running costs	21,611	27,284
Other operating expenses	188,672	132,438
	<b>280,131</b>	<b>220,198</b>

## AUDITOR'S REMUNERATION

Remuneration of the Auditor of the Company		
- Audit services	3,500	3,500
- Other services	3,487	2,500
	<b>6,987</b>	<b>6,000</b>

# 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 carried forward tax losses from previous trading periods for income tax purposes.

	2006	2005
	\$	\$

### a. The components of tax expense comprise:

Current tax		
Deferred tax (Note 26)	(3,784)	
Recoupment of prior year tax losses	42,740	
Under/(over) provision in respect of prior years	24	
	<b>38,980</b>	<b>0</b>

### 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%)	39,390	29,022
Add:		
Tax effect of:		
— under-provision for income tax in prior years		
— non-deductible depreciation and amortization	3,000	3,000
— other non-allowable items	400	1,072
Less:		
Tax effect of:		
— rebateable fully franked dividends		
— capital profits not subject to income tax		
— other allowable items	(3,810)	(2,080)
— recoupment of prior year tax losses not previously brought to account		(31,014)
<b>Income tax attributable to entity</b>	<b>38,980</b>	<b>0</b>

At balance date, the Company had tax losses of \$24,363 (2005: \$166,829) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$7,309 (2005: \$50,049). 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:

# Notes to the financial statements continued

For the year ended 30 June 2006

## 4. INCOME TAX EXPENSE (continued)

- (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. RECEIVABLES

Trade debtors	80,112	65,001
	<b>80,112</b>	<b>65,001</b>

## 6. OTHER

Current		
<b>Prepayments</b>	<b>11,978</b>	<b>16,177</b>
Non current		
<b>Prepayments</b>	<b>-</b>	<b>3,500</b>

## 7. PROPERTY, PLANT AND EQUIPMENT

Furniture and fittings		
Cost	158,715	139,859
Accumulated depreciation	(108,676)	(80,611)
	<b>50,039</b>	<b>59,248</b>
<i><b>Movement in carrying amount</b></i>		
Balance at the beginning of the year	59,248	72,082
Additions	18,856	12,930
Depreciation expense	(28,065)	(25,764)
<b>Carrying amount at the end of the year</b>	<b>50,039</b>	<b>59,248</b>



# Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$

## 8. INTANGIBLE ASSETS

Franchise fee		
Cost	50,000	50,000
Accumulated amortisation	(44,167)	(34,167)
	<b>5,833</b>	<b>15,833</b>

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank at Halls Head, trading as "Mandurah Community 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).

## 9. PAYABLES

Trade creditors and accruals	61,234	28,495
GST and other tax payable	19,403	19,810
	<b>80,637</b>	<b>48,305</b>

## 10. PROVISIONS

Current		
Provision for employee entitlements	30,090	20,467
Provision for dividend	-	29,700
	<b>30,090</b>	<b>50,167</b>
Non current		
<b>Provision for employee entitlements</b>	<b>11,078</b>	<b>7,680</b>
Number of employees at year end	8	8

# Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$

## 11. CONTRIBUTED EQUITY

594,490 (2005: 594,490) fully paid ordinary shares	594,490	594,490
Cost of raising equity	(4,457)	(4,457)
	<b>590,033</b>	<b>590,033</b>
<i>Movement in share capital</i>		
At the beginning of the reporting year	<b>594,490</b>	<b>594,490</b>

## 12. ACCUMULATED LOSSES

Balance at the beginning of the financial year	(212,969)	(344,914)
Profit attributable to members of the Company	92,319	96,740
Unfranked dividends paid or provided	-	(29,700)
Net Change on Adoption of IFRS	-	64,905
<b>Balance at the end of the financial year</b>	<b>(120,650)</b>	<b>(212,969)</b>

# Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$

## 13. NOTES TO THE CASH FLOW STATEMENT

### (a) Reconciliation of cash assets

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 at bank	422,965	264,696
Cash on hand	602	146
	<b>423,567</b>	<b>264,842</b>

### (b) Reconciliation of net cash provided by operating activities to profit after tax

Profit after tax	92,319	91,661
Depreciation and amortisation	38,065	35,764
Movement in assets and liabilities		
Receivables	(15,111)	15,256
Other assets	7,699	(7,603)
Income tax expenses	38,956	-
Payables	32,332	18,837
Provisions	13,021	43,271
<b>Net cash provided by / (used) in operating activities</b>	<b>207,281</b>	<b>197,186</b>

### (c) Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present.

# Notes to the financial statements continued

---

For the year ended 30 June 2006

## 14. 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
David Waddell	Chairman
Antony Solin	Non-Executive Director
Karen McLennan	Non-Executive Director
Allan Jeffrey Raynor	Non-Executive Director
Karen Maureen Hadida	Non-Executive Director
Peter Drown	Non-Executive Director
Christine Steer	Non-Executive Director
Ian Ilsley	Executive Director –Treasurer
Colin Frizzell	Non-Executive Director
Adam Hollyock (Resigned 25 November 2005)	Non-Executive Director

### Executives

David Williams	Bank Manager
----------------	--------------

(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.

# Notes to the financial statements continued

---

For the year ended 30 June 2006

## 14. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

### (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
	\$	\$	\$	\$	\$	%
David Williams	83,430	7,509			90,939	
	<b>83,430</b>	<b>7,509</b>			<b>90,939</b>	

### (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.

# Notes to the financial statements continued

For the year ended 30 June 2006

## 14. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

### (f) Shareholdings

	Shareholder	Balance 1 July 2005	Balance 30 June 2006
<b>Directors</b>			
Allan Jeffrey Raynor	Self	2,251	2,251
	Related parties	1	1
David Waddell	Self	2,500	2,500
Karen Maureen Hadida	Self	101	101
Peter Drown	Self	1,000	1,000
	Related parties	2,000	2,000
Christine Steer	Self	1,000	1,000
Ian Ilsley	Related parties	2,500	2,500
Antony Solin	Self	-	-
Karen McLennan	Self	-	-
Colin Frizzell	Self	1,500	1,500
	Related parties	4,500	4,500
Adam Hollyock (Resigned 23 November 2005)	Self	500	500
<b>Executives</b>			
David Williams	Self	-	250
	Related parties	-	1,000
<b>TOTAL</b>		<b>7,553</b>	<b>17,303</b>

## 15. RELATED PARTY TRANSACTION

Ward & Ilsley Partners Pty Ltd received \$760 for treasury and consultancy fees.

No other parties have not entered into a transaction with the Company during the financial years ended 30 June 2005 and 30 June 2006 other than those disclosed in Note 14.

# Notes to the financial statements continued

For the year ended 30 June 2006

	2006	2005
	\$	\$

## 16. LEASING COMMITMENT

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

Payable

- Not longer than 1 year	39,086	53,140
- Longer than 1 year but not longer than 5 years	-	39,086
	<b>39,086</b>	<b>92,226</b>

## 17. DIVIDENDS

(i) Dividends paid or provided for

Distributions paid or provided for during the reporting period

Previous year final unfranked dividend 5 cents per share	29,700	-
	<b>29,700</b>	-

Dividends proposed and not recognised as a liability

Unfranked dividend 6 cents per share	35,669	-
--------------------------------------	--------	---

## 18. EARNINGS PER SHARE

a. Reconciliation of earnings to profit or loss

Profit	92,319	96,740
Earnings used to calculate basic EPS	92,319	96,740
Earnings used in the calculation of dilutive EPS	92,319	96,740
	No.	No.

b. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	594,490	594,490
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	594,490	594,490

# Notes to the financial statements continued

For the year ended 30 June 2006

## 19. FINANCIAL INSTRUMENTS

2006	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
<b>Financial Assets</b>						
Cash	4.84%	421,725	-	-	1,841	423,566
Receivables		-	-	-	80,112	80,112
		<b>421,725</b>	<b>-</b>	<b>-</b>	<b>81,953</b>	<b>503,678</b>
<b>Financial Liabilities</b>						
Payables		-	-	-	(80,637)	(80,637)
Provisions		-	-	-	(41,168)	(41,168)
		<b>-</b>	<b>-</b>	<b>-</b>	<b>(121,805)</b>	<b>(121,805)</b>
<b>Net financial assets</b>		<b>421,725</b>	<b>-</b>	<b>-</b>	<b>(39,852)</b>	<b>381,873</b>

2005	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
<b>Financial Assets</b>						
Cash	4.07%	264,095	-	-	747	264,842
Receivables		-	-	-	65,001	65,001
		<b>264,095</b>	<b>-</b>	<b>-</b>	<b>65,748</b>	<b>329,843</b>
<b>Financial Liabilities</b>						
Payables		-	-	-	(48,305)	(48,305)
Provisions		-	-	-	(57,847)	(57,847)
		<b>-</b>	<b>-</b>	<b>-</b>	<b>(106,152)</b>	<b>(106,152)</b>
<b>Net financial assets</b>		<b>264,095</b>	<b>-</b>	<b>-</b>	<b>(40,404)</b>	<b>223,691</b>



# Notes to the financial statements continued

---

For the year ended 30 June 2006

## **19. 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.

## **20. SEGMENT REPORTING**

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

## **21. EVENTS SUBSEQUENT TO THE REPORTING DATE**

No matters or circumstances have arisen since the end of the financial year 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.

## **22. CONTINGENT LIABILITIES**

There were no contingent liabilities at the reporting date.

# Notes to the financial statements continued

For the year ended 30 June 2006

## 23. 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
	AASB 139: Financial Instruments: Disclosure and Presentation	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
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007

# Notes to the financial statements continued

For the year ended 30 June 2006

## 23. 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	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
	AASB 139: Financial Instruments: Disclosure and Presentation	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
	AASB 117: Leases	No change, no impact	1 January 2007	1 July 2007
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007

## 24. COMPANY DETAILS

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

C/ Ward & Ilsley Partners Pty Ltd  
55C Mandurah Terrace  
Mandurah WA 6210

Halls Head Shopping Centre  
Shop 7 Peelwood Parade  
Halls Head WA 6210

# Notes to the financial statements continued

For the year ended 30 June 2006

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

Reconciliation of Equity at 1 July 2004	Note	Previous GAAP at 1 July 2004 \$	Effect of transition to IFRS \$	AIFRS at 1 July 2004 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents		110,286	-	110,286
Trade and other receivables		57,649	-	57,649
Other		9,926	-	9,926
<b>TOTAL CURRENT ASSETS</b>		<b>177,861</b>	<b>-</b>	<b>177,861</b>
<b>NON CURRENT ASSETS</b>				
Property, plant and equipment		72,082	-	72,082
Intangibles		25,833	-	25,833
Other		9,500	-	9,500
<b>TOTAL NON CURRENT ASSETS</b>		<b>107,415</b>	<b>-</b>	<b>107,415</b>
<b>TOTAL ASSETS</b>		<b>285,276</b>	<b>-</b>	<b>285,276</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		14,212	-	14,212
Short term provisions		22,024	(4,540)	17,484
<b>TOTAL CURRENT LIABILITIES</b>		<b>36,236</b>	<b>(4,540)</b>	<b>31,696</b>
<b>NON CURRENT LIABILITIES</b>				
Long term provisions		3,921	-	3,921
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>3,921</b>	<b>-</b>	<b>3,921</b>
<b>TOTAL LIABILITIES</b>		<b>40,157</b>	<b>(4,540)</b>	<b>35,617</b>
<b>NET ASSETS</b>		<b>245,119</b>	<b>4,540</b>	<b>249,659</b>
<b>CONTRIBUTED EQUITY</b>				
Contributed equity		590,033	-	590,033
Retained losses		(344,914)	4,540	(340,374)
<b>TOTAL EQUITY</b>		<b>245,119</b>	<b>4,540</b>	<b>249,659</b>

# Notes to the financial statements continued

For the year ended 30 June 2006

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

Reconciliation of Profit or Loss for the full year 30 June 2005	Note	Previous GAAP 30 June 2005 \$	Effect of transition to IFRS \$	AIFRS at 30 June 2005 \$
<b>Revenue from ordinary activities</b>		<b>653,023</b>	<b>-</b>	<b>653,023</b>
Employee benefits expense		(305,400)	5,079	(300,321)
Depreciation and amortisation expenses		(35,764)	-	(35,764)
Other expenses from ordinary activities		(220,198)	-	(220,198)
<b>Profit from ordinary activities before income tax expense</b>		<b>91,661</b>	<b>5,079</b>	<b>96,740</b>
Income tax expense relating to ordinary activities		-	-	-
Net profit from ordinary activities after income tax expense		91,661	5,079	96,740
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>91,661</b>	<b>5,079</b>	<b>96,740</b>
Basic earnings per share (cents)		15.4		16.3
Diluted earnings per share (cents)		15.4		16.3

# Notes to the financial statements continued

For the year ended 30 June 2006

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

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

	\$
<b>Retained losses at 1 July 2004 under previous GAAP</b>	<b>(344,914)</b>
Provision for sick leave expensed in prior year	4,540
<b>IFRS equivalent of retained losses at 1 July 2004</b>	<b>(340,374)</b>
<b>Profit for the half year ended 31 December 2004</b>	<b>53,277</b>
Write back of sick leave expense	1,750
<b>IFRS equivalent of retained losses at 31 December 2004</b>	<b>(285,347)</b>
<b>Profit for the half year ended 30 June 2005</b>	<b>38,384</b>
Write back of sick leave expense	5,079
Deferred tax asset recognised	58,615
Dividends paid	(29,700)
<b>IFRS equivalent of retained losses at 30 June 2005</b>	<b>(212,969)</b>

# Notes to the financial statements continued

For the year ended 30 June 2006

## 26. TAX

	2006	2005
	\$	\$
<b>a. Assets</b>		
Deferred tax assets comprise:		
Provisions	12,350	8,566
Other	7,309	50,049
<b>b. Reconciliations</b>		
<b>i. Gross Movements</b>		
The overall movement in the deferred tax account is as follows:		
Opening balance	58,615	85,557
Charge/(credit) to income statement	(38,956)	(26,942)
Charge to equity		
<b>Closing balance</b>	<b>19,659</b>	<b>58,615</b>
<b>ii. Deferred Tax Assets</b>		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	8,566	4,494
Credited to the income statement	3,784	4,072
<b>Closing balance</b>	<b>12,350</b>	<b>8,566</b>
Impairment on Property, Plant and Equipment		
Opening balance	-	-
Credited (charged) to the income statement	-	-
Closing balance	-	-
Other		
Opening balance	50,049	81,063
Credited (charged) to the income statement	(42,740)	(31,014)
<b>Closing balance</b>	<b>7,309</b>	<b>50,049</b>

# Directors' declaration

---

**Mandurah Community Financial Services Limited**  
**ABN 56 098 081 308**  
**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 4<sup>th</sup> day of October 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 MANDURAH COMMUNITY 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 Mandurah Community 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 its 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

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

41

# 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 Mandurah Community 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: 11 October 2006

\*Liability limited by a scheme approved under Professional Standards Legislation

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

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

# 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

#### MANDURAH COMMUNITY 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*

Perth, WA

Dated: 4 October 2006

DAVID WALL  
Partner

\*Liability limited by a scheme approved under Professional Standards Legislation

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

41

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

# 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 3<sup>rd</sup> October 2006.

## (a) Distribution of equity securities

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

	Number of holders	Number of shares
1 - 1,000	363	175,059
1,001 - 5,000	94	265,031
5,001 - 10,000	10	89,400
10,001 - 100,000	4	65,000
100,001 and over	0	0
Total	471	594,490

There are currently 172 holders of parcels less than the minimum 500. Their holdings total 25,559 shares.

## (b) Ten largest Shareholders

The names of the ten largest Shareholders of quoted shares are:

	Listed ordinary shares	Number of shares	Number of ordinary shares
1.	Mr Mark Alan Mather	20,000	20,000
2.	Mr Richard Everitt Thorne	18,000	18,000
3.	Mrs Kaye Lynnette Mc Villy	15,000	15,000
4.	Mr Gerald Francis Pauley & Mr Michael James Pauley ( Pauley Superannuation Fund A/C)	12,000	12,000
5.	Mrs Joan Annie Cooper	10,000	10,000
6.	Mr Samuel Stephen Keith Cooper	10,000	10,000
7.	Mr Patrick John Croker	10,000	10,000
8.	Mr Peter James Hayman	10,000	10,000
9.	Mr Douglas Hendy Milner	10,000	10,000
10.	Mr Fonny Rumkorf & Mrs Hendricus Yohannes Rumkorf	10,000	10,000

## (c) Voting rights

Each shareholder has one vote.

## (d) Corporate governance statement

The Board guides and monitors the business and affairs on behalf of the Shareholders to whom they are accountable. The Board recognizes the importance of a strong corporate governance focus and methodology. The Board has completed a comprehensive set of policies and procedures that will govern our Company into the future. We believe that building a policy framework will assist to clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

## Composition of the Board

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

- The Board should comprise at least three Directors and a maximum of 10:
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

# BSX report continued

---

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

<b>Name</b>	<b>Position</b>
David Waddell	Chairman
Colin Frizzell	Deputy Chairman
Ian Ilsley	Secretary / Treasurer
Allan Jeffrey Raynor	Director
Karen Maureen Hadida	Director
Peter Drown	Director
Antony Solin	Director
Lisa Craig	Director
Stan Brice	Director
Aaron Minchin	Director

## **Board responsibilities**

As a Board acts on behalf of and is accountable to the Shareholders, the Board seeks to identify the expectations of the Shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- 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 Board. Directors whose performance is unsatisfactory are asked to retire.

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

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

The Board does have an Audit Committee.

## **(e) Name of Company Secretary:**

Ian Ilsley

## **(f) Address and telephone number of registered office:**

Unit 55C  
Mandurah Terrace,  
Mandurah, WA 6210  
Phone: (08) 9535 5900  
Fax: (08) 9581 1096

## **(g) Address and telephone number of office at which securities register is kept.**

Essential Registry Team  
Computer Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford, Victoria, 3067  
Phone: 1300 85 05 05

## **(h) Trading history**

The trading history for Mandurah Community Financial Services Limited is available on the BSX website at [www.bsx.com.au](http://www.bsx.com.au)