Pinjarra **Community Bank**®Branch
7C George Street, Pinjarra, WA 6208
Phone: (08) 9531 4470 Fax: (08) 9531 4480

Franchisee: Pinjarra Community Financial Services Limited
7C George Street, Pinjarra, WA 6208
ABN 31 097 389 547

www.bendigobank.com.au
Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879 (PSW1003) (08/06)

Pinjarra Community Financial Services Limited

ABN 31 097 389 547

2006 annual report

Pinjarra
Community Bank® Branch

Bendigo Bank

Contents

Chairman's report

For the year ended 30 June 2006

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

This last year has been one of consolidation and building. In our last Annual Report we reminded ourselves of the linkage between the performance of our company, Pinjarra Community Financial Services Limited and the performance of the Pinjarra **Community Bank®** Branch of Bendigo Bank Limited. As we stated last year the performance at that time was excellent and was exceeding our expectations. Well, that trend continues.

New accounts continue to be opened and the underlying business portfolio continues to grow steadily. Our customer base has grown to the point that at time of writing this report we have a total of 3064 account holders, representing well in excess of $55 million of banking business. These figures are certainly pleasing; particularly when we consider that we also have customers from outside the area using our branch.

This continued growth and performance has seen the company move into the next stage of its life cycle. We have achieved a net accounting profit after tax for this last financial year of $70,479. The Board and management along with our Franchise partners, Bendigo Bank Limited, see this as a significant milestone and on current indications, a trend that should continue.

Our staff continues to be our greatest asset, rating highly both nationally and at the top of rankings in Western Australia. Along with the rest of the board I would like to extend our appreciation and congratulations once more to Donna and her team consisting of Renae, Debbie, Louise and Lynette. It is only by such hard work and dedication that such results are achieved.

As Directors, we take our responsibilities seriously and continually review our corporate governance practices. As mentioned in this report last year, the Board set plans in place for developing long term strategies for business growth and the fulfilment of our charter. We are developing these plans further and over time they will become evident.

As part of a greater set of community engagement strategies and activities the Board is continuing to support such events as the Saint Joseph's Primary School Fair, Pinjarra Lions Club Australia Day breakfast and Pinjarra Senior High School Awards Ceremony. In addition we will be exploring partnerships with various community based groups that will ultimately benefit the company and the community.

The Board continues to remain confident in the long-term future and growth prospects of the company and looks forward to the continued support of the shareholders and the community at large.

On a personal note, I would like to thank my fellow Directors and Pinjarra **Community Bank®** Branch staff. With their support and assistance, these past five years have been exciting and rewarding ones, and I look forward to many more.

Malcolm Kentish
Chairman

Manager's report

For the year ended 30 June 2006

The past 12 months have seen our portfolio continue to grow. For the year ended 30 June 2006, we have more than 3000 customer accounts, in comparison to just over 2700 at the end of June 2005.

Our branch funds under management stand at $56.1 million at the end of the financial year, which represents a growth of $13.9 million for the period ($42.2 million in 2005).

Our working account has enjoyed a credit balance for several months and in addition to this we have been in a position to create a dedicated project account.

There has been significant staff movement within the year, with Nola Edwards resigning to take up the position of **Community Bank®** Development Manager with Bendigo Bank based at the Perth State office.

As a result of this, I was appointed to the position of Branch Manager and Renae Bannear was promoted to the position of Customer Service Manager.

Other staff movements have since included the resignation of Suzanne Nancarrow who left to further her education. Louise Rice and Lynette Oliver have been appointed as Customer Service Officers who bring quality experience in customer service roles.

This has been a challenging time for all involved, but I am proud to say that the staff have shown amazing resilience during this transition period, and we remain a strong team dedicated to servicing the requirements of our customers.

I would like to thank the Board of Directors, **Community Bank®** staff, Bendigo Bank staff and shareholders for their continued support, and am looking forward to a challenging and profitable financial year.

Donna Olney
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:

Noel Henry Nancarrow
Date of Birth: 1 March 1949
Occupation: Shire President
Background information: Justice of Peace, Shire Councillor for 16 years – 11 of these as Shire President.

Barry William Coates
Date of Birth: 7 July 1949
Occupation: Mine Worker
Background information: Worked for Alcoa Australia for 29 years as a Mine Worker. Lives locally and farmed for 36 years in partnership with brother in West Pinjarra.

Malcolm Charles Kentish
Date of Birth: 15 January 1958
Occupation: Business Proprietor
Background information: Owned and operated business in Pinjarra since 1990.

Monica Rae Bermingham
Date of Birth: 16 April 1952
Occupation: Small Business Owner
Background information: Extensive clerical, managerial, office background also farming, mining industry, human resources, community organisations.

Jeffery Bernard McDonnell
Date of Birth: 28 June 1949
Occupation: Health Care Worker
Background information: 25 years as a Flight Services Officer and 3 years as a Health Care Worker.

Nola Louise Edwards
Date of Birth: 11 April 1965
Occupation: Bank Branch Manager
Background information: 11 years financial services industry experience.

Ernest Albert Hiddlestone
Date of Birth: 14 January 1937
Occupation: Self Employed Contractor
Background information: 37 years as a School Teacher and 15 years a School Principal.

Margaret Ruth Ingpen (Resigned August 2005)

Joyce Isobel Thompson (Resigned September 2005)

Company Secretary
Julie Gay Brown

Directors' report continued

Directors' Meetings Attended

During the financial year, 12 meetings of Directors were held. Attendances by each Director during the year were:

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Noel Henry Nancarrow	12	2
Barry William Coates	12	5
Malcolm Charles Kentish	12	11
Monica Rae Bermingham	12	12
Jeffery Bernard McDonnell	12	9
Nola Louise Edwards	12	11
Ernest Albert Hiddlestone	12	10
Margaret Ruth Ingpen	1	0
Joyce Isobel Thompson	2	0

Principal Activity and Review of Operations

The principal activity and focus of the company's operations during the period was the operation of, Pinjarra 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 $70,479 for the year ended 30 June 2006 (2005: loss $7,593).

Dividends Paid or Recommended

The company did not pay or declare a dividend during the year.

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.

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.

For the year ended 30 June 2006

Remuneration policy (Continued)

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.

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.

For the year ended 30 June 2006

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	Super-annuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	$	$	$	$	$	%
Nola Edwards - Bank Manager (Resigned)	63,410	5,707			69,117	
Donna Olney – Bank Manager	31,950	2,876			34,826	
	95,360	**8,583**			**103,943**	

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 12 months 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.

Directors' report continued

For the year ended 30 June 2006

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 services	2,058
	2,058

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 25 to this report.

Signed in accordance with a resolution of Directors

Director

Dated this day of 2006

Financial statements

Income statement
For the year ended 30 June 2006

	Notes	2006 $	2005 $
Revenue	**2**	**573,308**	**449,730**
Employee benefits expense		(250,652)	(244,678)
Depreciation and amortisation expense		(35,465)	(33,130)
Finance costs		(1,345)	(6,661)
Other expenses	3	(185,301)	(172,854)
Profit before income tax expense		100,545	(7,593)
Income tax expense	4	(30,066)	-
Profit attributable to members		**70,479**	**(7,593)**

Overall Operations			
Basic earnings per share (cents per share)	18	17.92	(1.93)
Diluted earnings per share (cents per share)	1817.92		(1.93)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet
For the year ended 30 June 2006

	Notes	2006 $	2005 $
CURRENT ASSETS			
Cash assets	14(a)	82,039	260
Receivables	5	44,228	34,425
Other	6	4,492	7,788
TOTAL CURRENT ASSETS		**130,759**	**42,473**
NON CURRENT ASSETS			
Property, plant and equipment	7	26,028	33,272
Intangible assets	8	4,167	14,167
Deferred tax asset	26	81,058	111,124
TOTAL NON CURRENT ASSETS		**111,253**	**158,563**
TOTAL ASSETS		**242,012**	**201,036**
CURRENT LIABILITIES			
Trade and other payables	9	54,909	27,567
Interest bearing liabilities	10	6,569	69,818
Provisions	11	10,081	12,574
TOTAL CURRENT LIABILITIES		**71,559**	**109,959**
NON CURRENT LIABILITIES			
Interest bearing liabilities	10	8,897	-
TOTAL NON CURRENT LIABILITIES		**8,897**	**-**
TOTAL LIABILITIES		**80,456**	**109,959**
NET ASSETS		**161,556**	**91,077**
EQUITY			
Contributed equity	12	385,805	385,805
Accumulated losses	13	(224,249)	(294,728)
TOTAL EQUITY		**161,556**	**91,077**

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Share Capital (Ordinary shares) $	Retained losses $	Total $
Balance at 1 July 2004	**385,805**	**(398,259)**	**(12,454)**
Loss attributable to the members of the company	-	(7,593)	(7,593)
Net effect of change on adoption of IFRS	-	111,124	111,124
Balance at 30 June 2005	**385,805**	**(294,728)**	**91,077**
Balance at 1 July 2005	**385,805**	**(294,728)**	**91,077**
Profit attributable to the members of the company	-	70,479	70,479
Balance at 30 June 2006	**385,805**	**(224,249)**	**161,556**

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows
For the year ended 30 June 2006

	Notes	2006 $	2005 $
Cash flows from operating activities			
Receipts from customers		563,505	444,998
Payments to suppliers and employees		(407,882)	(396,121)
Interest Received		76	-
Borrowing costs paid		(1,345)	(6,661)
Net cash provided by/(used in) operating activities	**14(b)**	**154,354**	**42,216**
Cash flows from investing activities			
Payments for plant and equipment		(18,222)	-
Net cash used in investing activities		**(18,222)**	**-**
Cash flows from financing activities			
Proceeds from borrowings		15,465	-
Net cash provided by/(used in) financing activities		**15,465**	**-**
Net increase/(decrease) in cash held		**151,597**	**42,216**
Cash held at the beginning of the financial year		**(69,558)**	**(111,774)**
Cash held at the end of the financial year	**14(a)**	**82,039**	**(69,558)**

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

The financial report of Pinjarra 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

Pinjarra 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 Pinjarra 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.

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.

Notes to the financial statements continued

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(b) Income Tax (continued)

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

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

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

(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.

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:

Class of Fixed Asset	***Depreciation Rate***
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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(c) Property, Plant and Equipment (continued)

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.

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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

e) Financial Instruments (continued)

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.

(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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(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.

(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

		2006 $	2005 $
2.	**REVENUE**		
	Operating activities:		
	Franchise margin income	573,232	449,412
	Interest received	76	318
		573,308	**449,730**
3.	**OTHER EXPENSES**		
	Rental on operating lease	30,001	27,363
	IT leasing and running costs	28,287	25,100
	Other operating expenses	124,176	120,391
	Bad debts	2,837	-
		185,301	**172,854**
	AUDITOR'S REMUNERATION		
	Remuneration of the auditor of the company		
	- Audit services	3,000	3,000
	- Other services	2,058	2,500
		5,058	**5,500**

Notes to the financial statements continued

4. INCOME TAX EXPENSE

No income tax is payable by the company as it has utilised tax losses brought forward for the period for income tax purposes.

		2006 $	2005 $
a.	**The components of tax expense comprise:**		
	Current tax		0
	Deferred tax (Note 26)	748	
	Recoupment of prior year tax losses	29,318	
		30,066	**0**
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%)	**30,164**	**(2,278)**
	Add:		
	Tax effect of:		
	— other non-allowable items	193	
	— non-deductible depreciation and amortisation	3,000	3,000
	— tax losses not brought to account	-	2,569
	Less:		
	Tax effect of:		
	— deductible temporary differences	3,291	(3,291)
	Income tax attributable to entity	**30,066**	**0**

At balance date, the company had tax losses of $260,114 (2005: $357,841) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is $78,034 (2005: $107,352). This benefit has been recognised as an asset in the balance sheet as its realisation is virtually certain. 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.

Notes to the financial statements continued

		2006 $	2005 $
5.	**RECEIVABLES**		
	Trade debtors	**44,228**	**34,425**
6.	**OTHER**		
	Current		
	Prepayment	**4,492**	**7,788**
7.	**PROPERTY, PLANT AND EQUIPMENT**		
	Plant and equipment		
	Cost	133,877	115,655
	Accumulated depreciation	(107,849)	(82,383)
		26,028	**33,272**
	Movement in carrying amount		
	Balance at the beginning of the year	33,272	56,402
	Additions	18,222	-
	Depreciation expense	(25,466)	(23,130)
	Carrying amount at the end of the year	**26,028**	**33,272**
8.	**INTANGIBLE ASSETS**		
	Franchise fee		
	Cost	50,000	50,000
	Accumulated amortisation	(45,833)	(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 Pinjarra, trading as “Pinjarra 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 in respect of the franchise fee.

Notes to the financial statements continued

		2006 $	2005 $
9.	**PAYABLES**		
	Trade creditors and accruals	17,584	12,061
	GST payable	37,325	15,506
		54,909	**27,567**
10.	**INTEREST BEARING LIABILITIES**		
	Current		
	Bank Overdraft	-	69,818
	Chattel Mortgage	6,569	-
		6,569	**69,818**
	Non Current		
	Chattel Mortgage	8,897	-
	Security:		
	The bank overdraft was secured by a floating charge over the company's assets.		
11.	**PROVISIONS**		
	Provision for employee entitlements	10,081	12,574
	Number of employees at year end	6	5
12.	**EQUITY**		
	393,160 ordinary shares fully paid	393,160	393,160
	Less cost of raising capital	(7,355)	(7,355)
		385,805	**385,805**

Notes to the financial statements continued

		2006 $	2005 $
13.	**ACCUMULATED LOSSES**		
	Balance at the beginning of the financial year	**(294,728)**	**(398,259)**
	Profit attributable to members of the company	70,479	(7,593)
	Carry forward losses brought to account	-	111,124
	Balance at the end of the financial year	**(224,249)**	**(294,728)**

14. 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 period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2006 $	2005 $
Cash at bank and on hand	82,039	260
Bank overdraft	-	(69,818)
	82,039	**(69,558)**
(b) Reconciliation of net cash provided by operating activities to profit after tax		
Profit after tax	70,479	(7,593)
Depreciation and amortisation	35,465	33,130
Movement in assets and liabilities		
Receivables	(9,803)	(4,732)
Other assets	(2,704)	6,146
Payables	63,410	11,978
Provisions	(2,493)	3,287
Net cash provided by/(used in) operating activities	**154,354**	**42,216**

(c) Credit Standby Arrangement and Loan Facilities

The Company no longer has a bank overdraft facility (2005: $100,000). This may be terminated at any time at the option of the bank. At 30 June 2006, none of this facility was used (2005 $69,818). Interest rates are variable.

15. 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
Malcolm Charles Kentish	Chairman
Noel Henry Nancarrow	Non-Executive Director
Barry William Coates	Non-Executive Director
Margaret Ruth Ingpen	Non-Executive Director
Monica Rae Bermingham	Non-Executive Director
Jeffery Bernard McDonnell	Non-Executive Director
Nola Louise Edwards	Bank Manager /Director
Ernest Albert Hiddlestone	Non-Executive Director
Joyce Isobel Thompson	Non-Executive Director

Executives	
Nola Edwards	Bank Manager
Donna Olney	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.

15. 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 & Commissions $	Superannuation Contribution $	Cash Bonus $	Non-cash Benefits $	Total $	Performance Related %
Nola Edwards-Bank Manager (Resigned)	63,410	5,707			69,117	
Donna Olney –Bank Manager	31,950	2,876			34,826	
	95,360	**8,583**			**103,943**	

(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.

15. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

(f) Shareholdings

	Shareholder	Balance 1 July 2005	Balance 30 June 2006
Directors			
Malcolm Charles Kentish	Self	2,051	2,051
	Related parties	-	-
Noel Henry Nancarrow	Self	2,051	2,051
	Related parties	1,400	1,400
Barry William Coates	Self	1,501	1,501
	Related parties	400	400
Monica Rae Bermingham	Self	1,051	1,051
	Related parties	-	-
Jeffery Bernard McDonnell	Self	550	550
	Related parties	500	500
Nola Louise Edwards	Self	200	200
	Related parties	-	-
Ernest Albert Hiddlestone	Self	300	300
	Related parties	-	-
Joyce Isobel Thompson	Self	-	-
	Related parties	-	-
Margaret Ruth Ingpen	Self	10,051	10,051
	Related parties	3,050	3,050
Bank Managers			
Donna Olney	Self	-	-
	Related parties	-	-
TOTAL		**23,105**	**23,105**

16. RELATED PARTY TRANSACTIONS

The related parties have not entered into a transaction with the company during the financial years ended 30 June 2005 and 30 June 2006.

Notes to the financial statements continued

		2006 $	2005 $
17.	**LEASING COMMITMENT**		
	Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
	Payable		
	- Not longer than 1 year	4,416	13,248
	- Longer than 1 year but not longer than 5 years	-	4,416
		4,416	**17,664**
18.	**EARNINGS PER SHARE**		
a.	**Reconciliation of earnings to profit or loss**		
	Profit	70,479	(7,593)
	Earnings used to calculate basic EPS	70,479	(7,593)
	Earnings used in the calculation of dilutive EPS	70,479	(7,593)
		No.	**No.**
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	393,160	393,160
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	393,160	393,160

19. FINANCIAL INSTRUMENTS (continued)

(a) INTEREST RATE RISK

2006

	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
Financial Assets						
Cash assets		81,779	-	-	260	82,039
Receivables		-	-	-	44,228	44,228
		81,779	-	-	44,488	126,267
Financial Liabilities						
Payables		-	-	-	(54,909)	(54,909)
Interest bearing liabilities		-	(6,569)	(8,897)	-	(15,466)
Provisions		-	-	-	(10,081)	(10,081)
		-	**(6,569)**	**(8,897)**	**(64,990)**	**(80,456)**
Net financial assets		**81,779**	**(6,569)**	**(8,897)**	**(20,502)**	**45,811**

2005

	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
Financial Assets						
Cash assets		-	-	-	260	260
Receivables		-	-	-	34,425	34,425
		-	-	-	34,685	34,685
Financial Liabilities						
Payables		-	-	-	(27,567)	(27,567)
Interest bearing liabilities	9.40%	(69,818)	-	-	-	(69,818)
Provisions		-	-	-	(12,574)	(12,574)
		(69,818)	**-**	**-**	**(40,141)**	**(109,959)**
Net financial liabilities		**(69,818)**	**-**	**-**	**(5,456)**	**(75,274)**

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 Pinjarra in Western Australia.

21. 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.

22. CONTINGENT LIABILITIES

There were no contingent liabilities at the reporting date.

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.

Notes to the financial statements continued

23. CHANGE IN ACCOUNTING POLICY (continued)

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
	AASB 133: Earnings per share	No change, no impact	1 January 2007	1 July 2007

Notes to the financial statements continued

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
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

24. COMPANY DETAILS

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

7C George Street
PINJARRA WA 6208

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 $
CURRENT ASSETS				
Cash and cash equivalents		260	-	260
Trade and other receivables		29,693	-	29,693
Other		7,934	-	7,934
TOTAL CURRENT ASSETS		**37,887**	**-**	**37,887**
NON CURRENT ASSETS				
Property, plant and equipment		56,402	-	56,402
Intangibles		24,167	-	24,167
Other		6,000	-	6,000
TOTAL NON CURRENT ASSETS		**86,569**	**-**	**86,569**
TOTAL ASSETS		**124,456**	**-**	**124,456**
CURRENT LIABILITIES				
Trade and other payables		15,589	-	15,589
Short term borrowings		112,034	-	112,034
Short term provisions		9,287	-	9,287
TOTAL CURRENT LIABILITIES		**136,910**	**-**	**136,910**
TOTAL LIABILITIES		**136,910**	**-**	**136,910**
NET ASSETS		**(12,454)**	**-**	**(12,454)**
CONTRIBUTED EQUITY				
Contributed equity		385,805	-	385,805
Retained losses		(398,259)	-	(398,259)
TOTAL EQUITY		**(12,454)**	**-**	**(12,454)**

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

Reconciliation of Equity at 30 June 2005	Note	Previous GAAP at 30 June 2005 $	Effect of transition to IFRS $	AIFRS at 30 June 2005 $
CURRENT ASSETS				
Cash and cash equivalents		260	-	260
Trade and other receivables		34,425	-	34,425
Other		7,788	-	7,788
TOTAL CURRENT ASSETS		**42,473**	**-**	**42,473**
NON CURRENT ASSETS				
Property, plant and equipment		33,272	-	33,272
Deferred tax assets		-	111,124	111,124
Intangibles		14,167	-	14,167
TOTAL NON CURRENT ASSETS		**47,439**	**111,124**	**158,563**
TOTAL ASSETS		**89,912**	**111,124**	**201,036**
CURRENT LIABILITIES				
Trade and other payables		27,567	-	27,567
Short term borrowings		69,818	-	69,818
Short term provisions		12,574	-	12,574
TOTAL CURRENT LIABILITIES		**109,959**	**-**	**109,959**
TOTAL LIABILITIES		**109,959**	**-**	**109,959**
NET ASSETS		**(20,047)**	**111,124**	**91,077**
CONTRIBUTED EQUITY				
Contributed equity		385,805	-	385,805
Retained losses		(405,852)	111,124	(294,728)
TOTAL EQUITY		**(20,047)**	**111,124**	**91,077**

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 at 30 June 2005 $	Effect of transition to IFRS $	AIFRS at 30 June 2005 $
Revenue from ordinary activities		**449,730**	**-**	**449,730**
			-	
Employee benefits expense		(244,678)	-	(244,678)
Depreciation and amortisation expenses		(33,130)	-	(33,130)
Borrowing costs		(6,661)	-	(6,661)
Other expenses from ordinary activities		(172,854)	-	(172,854)
Loss from ordinary activities before income tax expense		(7,593)	-	(7,593)
Income tax expense/benefit relating to ordinary activities		-	-	-
Net loss from ordinary activities after income tax expense		(7,593)	-	(7,593)
Total changes in equity other than those resulting from transactions with owners as owners		**(7,593)**	**-**	**(7,593)**

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.

Under AASB 138 formation costs must be expensed. Under the new policy, all formation costs will be written off as incurred. All formation costs amortised under previous GAAP has been reversed and all formation costs capitalised have been written off as follows.

	$
Retained losses at 1 July 2004 under previous GAAP	**(398,259)**
Formation costs written off under AASB 138	-
IFRS equivalent of retained losses at 1 July 2004	(398,259)
Profit for the half year ended 31 December 2004	(14,275)
IFRS equivalent of retained losses at 31 December 2004	(412,534)
Profit for the half year ended 30 June 2005	6,682
IFRS equivalent of retained losses at 30 June 2005 prior to recognition of timing and permanent differences	(405,852)
Less taxable temporary differences	111,124
IFRS equivalent of retained losses at 30 June 2005	**(294,728)**

		2006 $	2005 $
26.	**TAX**		
a.	**Assets**		
	Deferred tax assets comprise:		
	Provisions	3,024	3,772
	Impairment of property, plant and equipment	-	-
	Other	78,034	107,352
		81,058	**111,124**
b.	**Reconciliations**		
	i. Gross Movements		
	The overall movement in the deferred tax account is as follows:		
	Opening balance	111,124	108,555
	Charge/(credit) to income statement	(30,066)	-
	Charge to equity	-	2,569
	Closing balance	**81,058**	**111,124**
	iii. Deferred Tax Assets		
	The movement in deferred tax assets for each temporary difference during the year is as follows:		
	Provisions		
	Opening balance	3,772	2,786
	Credited to the income statement	(748)	-
	Charge to equity	-	986
	Closing balance	**3,024**	**3,772**
	Other		
	Opening balance	107,352	105,769
	Credited (charged) to the income statement	(29,318)	-
	Charge to equity	-	1,583
	Closing balance	**78,034**	**107,352**

Directors' declaration

Pinjarra Community Financial Services Limited
ABN 76 096 536 355
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 13th 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
PINJARRA 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 Pinjarra 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 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.

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 disclo sures in the financial report and remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasona bleness 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 Pinjarra 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
Partner

Perth, WA
Dated this 16 day of October 2006

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
PINJARRA 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

Perth, WA
Dated this 13 day of OCTOBER 2006

DAVID WALL
Partner

5

BSX report

For the year ended 30 June 2006

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 18 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 - ten largest Shareholders

		Number of Held ord.	% Shares
1	Margaret Ruth Ingpen	10,051	2.55
2	Graham John Gleghorn	10,000	2.54
3	Peggie Holland Davis	10,000	2.54
4	Darryal Francis & Kathryn Valerie Eastwell	10,000	2.54
5	Michael Stuart Martin	10,000	2.54
6	Mary Ellen Nancarrow	10,000	2.54
7	Graham Peter Riley	10,000	2.54
8	Norma Tuckey	10,000	2.54
9	Reginald James Ross Campbell	5,050	1.28
10	Michelle Colice Cockell	5,000	1.28
		90101	**22.89**

(c) Voting rights

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

(d) Distribution of Shareholders

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

Ordinary Shares	Number of holders	Number of Shares
1 - 1000	177	89,906
1001 - 5000	77	219,153
5001 - 10000	8	75,050
10001 - 100000	1	10,051
100001 and over	0	0
Total	**263**	**394,160**

(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:

Pinjarra **Community Bank®** Branch 7C George Street Pinjarra WA 9665
Telephone: 08 9531 4470

(g) Pinjarra Community Financial Services Limited
Nola Edwards **Community Bank®** Development Manager 225 St Georges Terrace Perth WA 6000
Telephone: 08 9213 5128