



# 2007 annual report

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# Chairman's report

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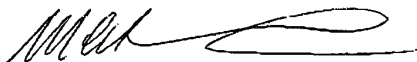
For year ending 30 June 2007

The past 12 months have been exciting times for Pinjarra Community Financial Services Limited. We celebrated the fifth birthday of Pinjarra **Community Bank**<sup>®</sup> Branch, paid our first dividend to our shareholders, and distributed over \$50,000 by way of grants and sponsorship. The Board of management has also made the decision to relocate the branch into the new Pinjarra Junction Shopping Centre, where we will move into a larger, purpose built premises. The new location has street frontage, so access to the ATM will still be convenient.

Pinjarra Community Financial Services Limited have also installed an ATM in South Yunderup, giving us good exposure in a rapidly developing area. The development of a branch at Waroona by Pinjarra Community Financial Services Limited, is still being assessed.

We look forward to future big developments and growth within our branch and busy times ahead for Donna and her team of hard working and dedicated staff, who we must thank for achieving excellent results.

On behalf of the Board of management, I would like to thank Geoff McDonnell and Barry Coates, who have resigned from the Board of management, for their time and efforts over the last six years. They were original steering committee members, and their contributions will be missed.



**Malcolm Kentish**

**Chairman**

# Manager's report

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For year ending 30 June 2007

The past 12 months have seen our portfolio continue to grow. For the year ended 30 June 2007, we have more than 3300 customers, in comparison with approximately 3000 customers at the end of June 2006.

Our branch funds under management stand at \$68.4 million at the end of the financial year, which represents a growth of \$12.3 million for the period. (\$56.1 million as at 30 June 2006).

We continue to remain focused on delivering equally the “three promises” that our founding Directors made to our community and shareholders:

- To provide a premium level of service that is second to none in the Pinjarra community.
- To provide a dividend to the Pinjarra community in the form of grants/community Initiatives.
- To provide our shareholders with a fair and ethical return for their investment, trust, and commitment in this community concept.

I am pleased to confirm that we have achieved these goals. We have contributed in excess of \$50,000 in sponsorships to the community in the past financial year. We also paid our first dividend of 0.7cents to our shareholders.

There has been some staff movement this financial year. Lynette Oliver left the employ of Pinjarra **Community Bank®** Branch, and two new Customer Service Officers were appointed - Amanda Kaufman and Elizabeth Edwards. At the same time, Louise Rice, who was previously a Customer Service Officer, was promoted to the position of Customer Relationship Officer. This position was developed to further increase our high level of customer service. While the changing of staff is often a tumultuous time, I am pleased to advise that our high customer service level has been maintained at all times.

In striving to achieve our long term goals, I am supported by an outstanding team of committed staff. They are passionate about their jobs and genuinely believe, and rightly so, that they are making a positive impact on the community. Our results speak highly of their efforts and I thank them for another strong year.

I wish to thank our loyal customers for their support, the Board of Management for their guidance and commitment, my staff for the happy and hardworking environment they provide, and our shareholders for their belief and commitment.



**Donna Olney**

**Branch Manager**

# A message from Bendigo Bank

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As we approach the 10th anniversary of the **Community Bank®** network it is timely to reflect on what has been achieved. The opening of the first **Community Bank®** branches in Victoria's Wimmera in 1998 changed the Australian banking landscape – how significant this change has been is only now starting to become obvious.

Today, the **Community Bank®** brand is represented in every State and Territory of Australia, with the final frontier, the Northern Territory, falling with the opening of Coolalinga **Community Bank®** Branch in September 2006. Nine months later we were celebrating the opening of our 200th **Community Bank®** branch in the Victorian seaside community of Dromana.

When you take the time to list them, the official statistics are impressive:

- \$10 billion in combined banking business
- \$10 million in grants to community groups and projects
- \$7 million in dividends paid to shareholders
- 1000 **Community Bank®** branch staff

But perhaps what has been most significant during 2007 have been merger talks. Bendigo rejected a merger proposal from Bank of Queensland in April. Less than four months later, Bendigo Bank's board unanimously supported a merger proposal with Adelaide Bank. The merger will be voted on by Adelaide Bank shareholders in late-2007.

Under the merged group, our unique **Community Bank®** model will continue to grow and prosper, and new Company-owned and **Community Bank®** branches will continue to open.

The Bendigo Bank brand will be retained, customers' accounts will not change and the same friendly faces will be at your local branch to provide for your banking needs. As a **Community Bank®** Shareholder, you will notice no changes – you remain a Shareholder of your local community Company.

Nationally, the merger will increase Bendigo Bank's network, delivering our customers access to 24 branches in South Australia and 90 ATMs. Over time, new products and services will follow.

Bendigo Bank participates in the development of community banking with an enormous sense of pride. We are indeed fortunate to be your partner and look forward to celebrating 10 years of community banking in 2008.

# Directors' report

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For year ending 30 June 2007

Your Directors present their report together with the financial report of the Company for the year ended 30 June 2007.

## **Directors**

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

### **Noel Henry Nancarrow**

Position: Non-Executive Director

Date of Birth: 1 March 1949

Occupation: Shire President

Background Information: Justice of Peace, Shire Councillor for 17 years – 12 of these as Shire President.

Interest in shares and options: 3,451 shares

### **Malcolm Charles Kentish**

Position: Chairman

Date of Birth: 15 January 1958

Occupation: Business Proprietor

Background Information: Owned and operated business in Pinjarra since 1990.

Interest in shares and options: 2,051 shares

### **Monica Rae Bermingham**

Position: Non-Executive Director

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.

Interest in shares and options: 1,051 shares

### **Nola Louise Edwards**

Position: Non-Executive Director

Date of Birth: 11 April 1965

Occupation: Community Development Manager, Bendigo Bank

Background Information: 12 years financial services industry experience

Interest in shares and options: 200 shares

# Directors' report continued

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## **Ernest Albert Hiddlestone**

Position: Non-Executive Director  
Date of Birth: 14 January 1937  
Occupation: Self Employed Contractor  
Background Information: 37 years as a School Teacher and 15 years a School Principal  
Interest in shares and options: 300 shares

## **Michael Peter Faro (Commenced December 2006)**

Position: Non-Executive Director  
Date of Birth: 21 November 1952  
Occupation: Registered Migration Agent  
Background Information: Retired UK Police Officer, Business migrant to Pinjarra in 2000 and proprietor of Redcliffe Barn 2002 to 2005  
Interest in shares and options: 0 shares

## **Brian Arthur Morrell (Commenced January 2007)**

Position: Non-Executive Director  
Date of Birth: 14 December 1984  
Occupation: Caravan Park Junior Manager  
Background Information: Outdoor Adventure Activities Leader, Farmhand, WYLD Program Assistant/Trainer instructor, Climbing and Adventure Guide, Youth group leader  
Interest in shares and options: 0 shares

## **Barry William Coates (Resigned November 2006)**

Position: Non-Executive Director  
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.  
Interest in shares and options: 1,901 shares

## **Jeffery Bernard McDonnell (Resigned June 2007)**

Position: Non-Executive Director  
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.  
Interest in shares and options: 1,050 shares

## **Company Secretary**

Monica Rae Bermingham

# Directors' report continued

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## Directors meetings attended

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Noel Henry Nancarrow	12	4
Barry William Coates	6	2
Malcolm Charles Kentish	12	10
Monica Rae Bermingham	12	12
Nola Louise Edwards	12	10
Ernest Albert Hiddlestone	12	10
Michael Peter Faro	9	8
Brian Arthur Morrell	6	4
Jeffery Bernard McDonnell	11	7

## Principal activity and review of operations

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

## Operating results

The profit of the Company after providing for income tax amounted to \$83,295.

## Dividends paid or recommended

The Company paid and declared for payment dividends of \$57,153 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 year 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 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 future financial years.

## Future developments

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



# Directors' report continued

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## 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 of Directors

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2007 and 30 June 2006.

### Remuneration policy

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 Board.
- All Executives receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board 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, which 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 may 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.

# Directors' report continued

## 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.

### Key management personnel remuneration policy

The remuneration 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.

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

The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate 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.

### Details of remuneration for year ended 30 June 2007

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

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Donna Olney – Bank Manager	55,000	5,612	2,500	-	63,112	-
	55,000	5,612	2,500	-	63,112	-

### Details of remuneration for year ended 30 June 2006

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

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
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	-

# Directors' report continued

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## **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 Board 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 Board 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.

## **Options**

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year 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.

## **Indemnifying officers or auditor**

Indemnities have been given, during and since the end of the financial year, 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.

## **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 issues**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, 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.

## **Non-audit Services**

The Board 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 2002. 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 Board 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

## Directors' report continued

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The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007:

Taxation services:	\$4,100
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### **Auditor's Independence Declaration**

A copy of the Auditor's independence declaration is included within the financial statements.

This report is signed in accordance with a resolution of the Board of Directors.

Director



Dated this

25

day of

September

2007

# Financial statements

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## Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenue	2	702,680	573,308
Employee benefits expense		(280,537)	(250,652)
Depreciation and amortisation expense		(26,849)	(35,465)
Finance costs		(1,859)	(1,345)
Other expenses	3	(271,943)	(185,301)
Profit before income tax		121,492	100,545
Income tax expense	4	(38,197)	(30,066)
Profit attributable to members		83,295	70,479
<b>Overall operations</b>			
Basic earnings per share (cents per share)		21.18	17.92
Diluted earnings per share (cents per share)		21.18	17.92

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	190,549	82,039
Trade and other receivables	6	68,444	44,228
Other current assets	7	5,723	4,492
<b>TOTAL CURRENT ASSETS</b>		<b>264,716</b>	<b>130,759</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	40,289	26,028
Intangible assets	9	44,167	4,167
Deferred tax asset	22	42,861	81,058
<b>TOTAL NON-CURRENT ASSETS</b>		<b>127,317</b>	<b>111,253</b>
<b>TOTAL ASSETS</b>		<b>392,033</b>	<b>242,012</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	147,386	54,909
Financial liabilities	11	22,197	6,569
Short-term provisions	12	10,779	10,081
<b>TOTAL CURRENT LIABILITIES</b>		<b>180,362</b>	<b>71,559</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial liabilities	11	18,707	8,897
Long-term provisions	12	5,266	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>23,973</b>	<b>8,897</b>
<b>TOTAL LIABILITIES</b>		<b>204,335</b>	<b>80,456</b>
<b>NET ASSETS</b>		<b>187,698</b>	<b>161,556</b>
<b>EQUITY</b>			
Issued capital	13	385,805	385,805
Accumulated losses		(198,107)	(224,249)
<b>TOTAL EQUITY</b>		<b>187,698</b>	<b>161,556</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
<b>Receipts from customers</b>		<b>677,756</b>	<b>563,505</b>
Payments to suppliers and employees		(484,833)	(407,882)
Interest Received		708	76
Borrowing costs paid		(1,859)	(1,345)
<b>Net cash provided by/(used in) operating activities</b>	<b>14(a)</b>	<b>191,772</b>	<b>154,354</b>
<b>Cash flows from investing activities</b>			
Payments for franchise fee		(50,000)	-
Payments for plant and equipment		(31,109)	(18,222)
<b>Net cash used in investing activities</b>		<b>(81,109)</b>	<b>(18,222)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(14,562)	-
Dividends paid		(27,591)	-
Proceeds from borrowings		40,000	15,465
<b>Net cash provided by/(used in) financing activities</b>		<b>(2,153)</b>	<b>15,465</b>
<b>Net increase/(decrease) in cash held</b>		<b>108,510</b>	<b>151,597</b>
<b>Cash held at the beginning of the financial year</b>		<b>82,039</b>	<b>(69,558)</b>
<b>Cash held at the end of the financial year</b>	<b>5</b>	<b>190,549</b>	<b>82,039</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of changes in equity

As at 30 June 2007

	Share Capital (Ordinary) shares	Retained losses	Total
	\$	\$	\$
Balance at 1 July 2005	385,805	(294,728)	91,077
Profit attributable to the members of the Company	-	70,479	70,479
<b>Balance at 30 June 2006</b>	<b>385,805</b>	<b>(224,249)</b>	<b>161,556</b>
Balance at 1 July 2006	385,805	(224,249)	161,556
Profit attributable to the members of the Company	-	83,295	83,295
Dividends paid or provided	-	(57,153)	(57,153)
<b>Balance at 30 June 2007</b>	<b>385,805</b>	<b>(198,107)</b>	<b>(187,698)</b>

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ending 30 June 2007

## 1. Statement of significant accounting policies

### **Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting 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 Pinjarra public company, incorporated and domiciled in Australia.

The financial report 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.

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**

#### **(a) Income tax**

The charge 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 year 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.

#### **(b) 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.

# Notes to financial statements continued

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## 1. Statement of significant accounting policies (continued)

### (b) 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 year 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.

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.

# Notes to financial statements continued

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## 1. Statement of significant accounting policies (continued)

### **(c) 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 year.

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.

### **(d) 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.

# Notes to financial statements continued

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## 1. Statement of significant accounting policies (continued)

### **(e) 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

### **(f) Intangibles**

#### **Franchise fee**

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

### **(g) 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.

### **(h) 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.

### **(i) 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.

### **(j) 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).

# Notes to financial statements continued

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## 1. Statement of significant accounting policies (continued)

### **(k) 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 of sale.

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

### **(l) 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.

### **(m) 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 2007. 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 2007 amounting to \$44,167.

The financial report was authorised for issue on 25 September 2007 by the Board of Directors

## Notes to financial statements continued

	2007	2006
	\$	\$

### 2. Revenue

Franchise margin income	701,972	573,232
Interest revenue from:		
Other parties	708	76
	<b>702,680</b>	<b>573,308</b>

### 3. Expenses

Rental on operating lease	32,504	30,001
IT leasing and running costs	40,082	28,287
Other operating expenses	139,380	107,807
Sponsorship and Donations	45,627	4,275
Stationary	14,221	12,094
Bad debts	129	2,837
	<b>271,943</b>	<b>185,301</b>

#### Remuneration of the auditors of the Company

Audit services	5,996	3,000
Other Services	4,100	2,058
	<b>10,096</b>	<b>5,058</b>

### 4. Income tax expense

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

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

Current tax	-	-
Deferred tax (Note 22)	(1,789)	748
Recoupment of prior year tax losses	39,986	29,318
	<b>38,197</b>	<b>30,066</b>

## Notes to financial statements continued

	2007	2006
	\$	\$

### 4. Income tax expense continued

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% (2006: 30%)	36,546	30,164
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#### Add:

Tax effect of:

- non-deductible depreciation and amortisation	3,000	3,000
- other non-allowable items	59	193

#### Less:

Tax effect of:

- other allowable items	(1,408)	(3,291)
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<b>Income tax attributable to entity</b>	<b>38,197</b>	<b>30,066</b>
--	---------------	---------------

At balance date, the Company had tax losses of \$126,827 (2006: \$260,114) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$38,048 (2006: \$78,034). This benefit has been recognised as an asset in the statement of financial position as there is a high probability of its realisation. It was not brought to account in previous years. 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.

### 5. Cash and cash equivalents

<b>Cash at bank and in hand</b>	<b>190,549</b>	<b>82,039</b>
---------------------------------	----------------	---------------

### 6. Trade and other receivables

<b>Trade debtors</b>	<b>68,444</b>	<b>44,228</b>
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### 7. Other assets

Current

<b>Prepayments</b>	<b>5,723</b>	<b>4,492</b>
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## Notes to financial statements continued

	2007	2006
	\$	\$

### 8. Property, plant and equipment

#### Plant and Equipment

Cost	164,986	133,877
Accumulated depreciation	(124,697)	(107,849)
	<b>40,289</b>	<b>26,028</b>
Movement in carrying amount		
Balance at the beginning of the year	26,028	33,272
Additions	31,109	18,222
Depreciation expense	(16,848)	(25,466)
<b>Carrying amount at the end of the year</b>	<b>40,289</b>	<b>26,028</b>

### 9. Intangible assets

Franchise fee		
Cost	100,000	50,000
Accumulated amortisation	(55,833)	(45,833)
	<b>44,167</b>	<b>4,167</b>

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 renewed the franchise agreement at a cost of \$50,000 in respect of the franchise fee.

### 10. Trade and other payables

Trade creditors and accruals	64,706	17,584
GST payable	53,118	37,325
Dividends	29,562	-
	<b>147,386</b>	<b>54,909</b>



## Notes to financial statements continued

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>

### 11. Financial liabilities

#### Current

Chattel mortgage	7,029	6,569
Mortgage loan	15,168	-
	<b>22,197</b>	<b>6,569</b>

#### Non Current

Chattel mortgage	1,846	8,897
Mortgage loan	16,861	-
	<b>18,707</b>	<b>8,897</b>

#### Security

The chattel mortgage and mortgage loan are secured by a floating charge over the Company's assets.

### 12. Provisions

#### Current

Provision for employee entitlements	10,779	10,081
-------------------------------------	--------	--------

#### Non Current

Provision for employee entitlements	5,266	10,081
Number of employees at year end	6	6

### 13. Equity

393,160 (2006: 394,160) fully paid ordinary shares	394,160	394,160
Cost of raising equity	(7,355)	(7,355)
	<b>385,805</b>	<b>385,805</b>

## Notes to financial statements continued

	2007	2006
	\$	\$

### 14. Cash flow information

#### a. Reconciliation of cash flow from operations with profit after tax

Profit after tax	83,295	70,479
Depreciation and amortisation	26,849	35,465
Movement in assets and liabilities		
Receivables	(24,216)	(9,803)
Other assets	(1,231)	(2,704)
Deferred tax asset	38,197	-
Payables	62,914	63,410
Provisions	5,964	(2,493)
<b>Net cash provided by/(used in) operating Activities</b>	<b>191,772</b>	<b>154,354</b>

#### b. Credit Standby Arrangement and Loan Facilities

The Company does not operate an overdraft facility.

### 15. Related party transactions

The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2007 and 30 June 2006.

### 16. Leasing commitments

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements	2007 \$	2006 \$
<b>Payable</b>		
Not longer than 1 year	36,967	4,416
Longer than 1 year but not longer than 5 years	116,528	-
	<b>153,495</b>	<b>4,416</b>

## Notes to financial statements continued

	2007 \$	2006 \$
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### 17. Dividends

Distributions paid Interim unfranked ordinary dividend paid on

15 November 2006 of 7 cents per share	27,591	-
Final unfranked ordinary dividend declared on		
26 June 2007 of 7.5 cents per share	29,562	-
	<b>57,153</b>	<b>-</b>

### 18. Financial instruments

#### a. Interest rate risk

#### 2007

	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
<i>Financial Assets</i>						
Cash and cash equivalents	0.25%	190,349	-	-	200	190,549
Receivables	-	-	-	-	68,444	68,444
<b>Total Financial Assets</b>		<b>190,349</b>	<b>-</b>	<b>-</b>	<b>68,644</b>	<b>258,993</b>
<i>Financial Liabilities</i>						
Payables	-	-	-	-	(147,386)	(147,386)
Interest bearing liabilities	7.9%	(32,029)	(7,029)	(1,846)	-	(40,904)
<b>Total Financial Liabilities</b>		<b>(32,029)</b>	<b>(7,029)</b>	<b>(1,846)</b>	<b>(147,386)</b>	<b>(188,290)</b>

## Notes to financial statements continued

### 2006

	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
<i>Financial Assets</i>						
Cash and cash equivalents	0.25%	81,779	-	-	260	82,039
Receivables	-	-	-	-	44,228	44,228
<b>Total Financial Assets</b>		<b>81,779</b>	<b>-</b>	<b>-</b>	<b>44,488</b>	<b>126,267</b>
<i>Financial Liabilities</i>						
Payables	-	-	-	-	(54,909)	(54,909)
Interest bearing liabilities	7.9%	-	(6,569)	(8,897)	-	(15,446)
<b>Total Financial Liabilities</b>		<b>-</b>	<b>(6,569)</b>	<b>(8,897)</b>	<b>(54,909)</b>	<b>(70,355)</b>

#### (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.

## 19. Segment reporting

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

## 20. Events after the balance sheet 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.

## 21. Contingent liabilities

There were no contingent liabilities at the reporting date.

## Notes to financial statements continued

	2007	2006
	\$	\$

### 22. Tax

#### a. Assets

Deferred tax assets comprise:

Provisions	4,813	3,024
Other	38,048	78,034
	<b>42,861</b>	<b>81,058</b>

#### b. Reconciliations

##### Gross Movements

The overall movement in the deferred tax account is as follows:

Opening balance	81,058	111,124
Charge/(credit) to income statement	(38,197)	(30,066)
<b>Closing balance</b>	<b>42,861</b>	<b>81,058</b>

##### Deferred Tax Assets

The movement in deferred tax assets for each temporary difference during the year is as follows:

##### Provisions

Opening balance	3,024	3,772
Credited to the income statement	1,789	(748)
<b>Closing balance</b>	<b>4,813</b>	<b>3,024</b>

##### Other

Opening balance	78,034	107,352
Credited to the income statement	(39,986)	(29,318)
<b>Closing balance</b>	<b>38,048</b>	<b>78,034</b>

### 23. Changes in accounting policy

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

## Notes to financial statements continued

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2005–10: Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
	AASB 4: Insurance Contracts			
	AASB 101: Presentation of Financial Statements			
	AASB 114: Segment Reporting			
	AASB 117: Leases			
	AASB 133: Earnings per Share			
	AASB 1023: General Insurance Contracts			
	AASB 1038: Life Insurance Contracts			
	AASB 139: Financial Instruments: Recognition and Measurement			
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 Jan 2007	1 July 2007

## 24. Company details

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

7C George Street

Pinjarra, WA 6208

# Directors' declaration

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The Directors of the Company declare that:

the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:

- (a). comply with Accounting Standard and the Corporations Regulations 2001; and
- (b). give a true and fair view of the Company's financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company

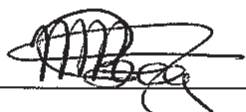
the Chief Executive Officer and Chief Finance Officer have each declared that:

- (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.

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.

Director



Dated this

25

day of

September

2007

# Independent audit report

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## **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**

#### **Report on the Financial Report**

We have audited the accompanying financial report of Pinjarra Community Financial Services Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

We have also audited the remuneration disclosure contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in the directors' report and not in the financial report.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration declarations contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

8

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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.



# Independent audit report continued

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

## *Auditor's Opinion on the Financial Report*

In our opinion:

- a. the financial report of Pinjarra Community Financial Services Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International financial Reporting Standards as disclosed in Note 1.

## **Auditor's Opinion on the AASB 124 Remuneration Disclosures Contained in the Directors' Report**

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standards AASB 124.

*RSM Bird Cameron Partners.*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*David Wall*

DAVID WALL  
Partner

Perth, WA  
Date:

*25 September 2007*

# 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  
UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*  
TO THE DIRECTORS  
PINJARRA COMMUNITY FINANCIAL SERVICES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

*Rsm Bird Cameron Partners.*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*David Wall*

DAVID WALL  
Partner

Perth, WA

Date: 25 September 2007

# 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 8 October 2007.

## (a) Distribution of equity securities

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

	Number of holders	Number of shares
1 - 1,000	187	95,710
1,001 - 5,000	74	212,650
5,001 - 10,000	7	65,050
10,001 - 100,000	2	20,750
100,001 and over	0	0
Total	269	394,160

There are currently 91 holders of parcels less than the minimum 500. Their holdings total 18,610 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.	Anne Marie Barrett	10,700	10,700
2.	Margaret Ruth Ingpen	10,500	10,050
3.	Graham John Cleghorn	10,000	10,000
4.	Peggie Holland Davis	10,000	10,000
5.	Darryal Francis Eastwell & Kathryn Valerie Eastwell	10,000	10,000
6.	Mlichael Stuart Martin	10,000	10,000
7.	Mary Ellen Nancarrow	10,000	10,000
8.	Norma Tuckey	10,000	10,000
9.	Reginald James Ross Campbell	5,050	5,050
10.	Michelle Colice Cockell	5,000	5,000
10.	Rodney Charles Crake & Helen Lydia Crake	5,000	5,000
10.	Colin Michael Cramphorn	5,000	5,000
10.	Susan Elizabeth Cronin	5,000	5,000
10.	Stanley Joseph Hill & Beryl May Hill	5,000	5,000
10.	Kookabrook Grazing Company Pty Ltd	5,000	5,000
10.	John Trevor Lloyd & Irene Lloyd	5,000	5,000
10.	LS NA Rosenthal Pty Ltd	5,000	5,000
10.	Brian William Mason & Felicity Louise Mason	5,000	5,000

## BSX report continued

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10	David Ross McGlinn	5,000	5,000
10	Myra Pty Ltd	5,000	5,000
10	Robert James Nancarrow & Francis Jean Nancarrow	5,000	5,000
10	Lachlan Pleasance & Ann Marie Pleasance	5,000	5,000
10	Brian Swan & Elizabeth Swan	5,000	5,000
10	Vientor Pty Ltd	5,000	5,000
10	S.S. Investments (WA) Pty Ltd <S&L Superannuation Fund>	5,000	5,000

### (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.

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

Name	Position
Malcolm Kentish	Chairman
Monica Bermingham	Director / Company Secretary
Noel Nancarrow	Director
Nola Edwards	Director
Ernest Hiddlestone	Director
Michael Faro	Director
Brian Morrell	Director

# BSX report continued

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## **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:**

Monica Bermingham

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

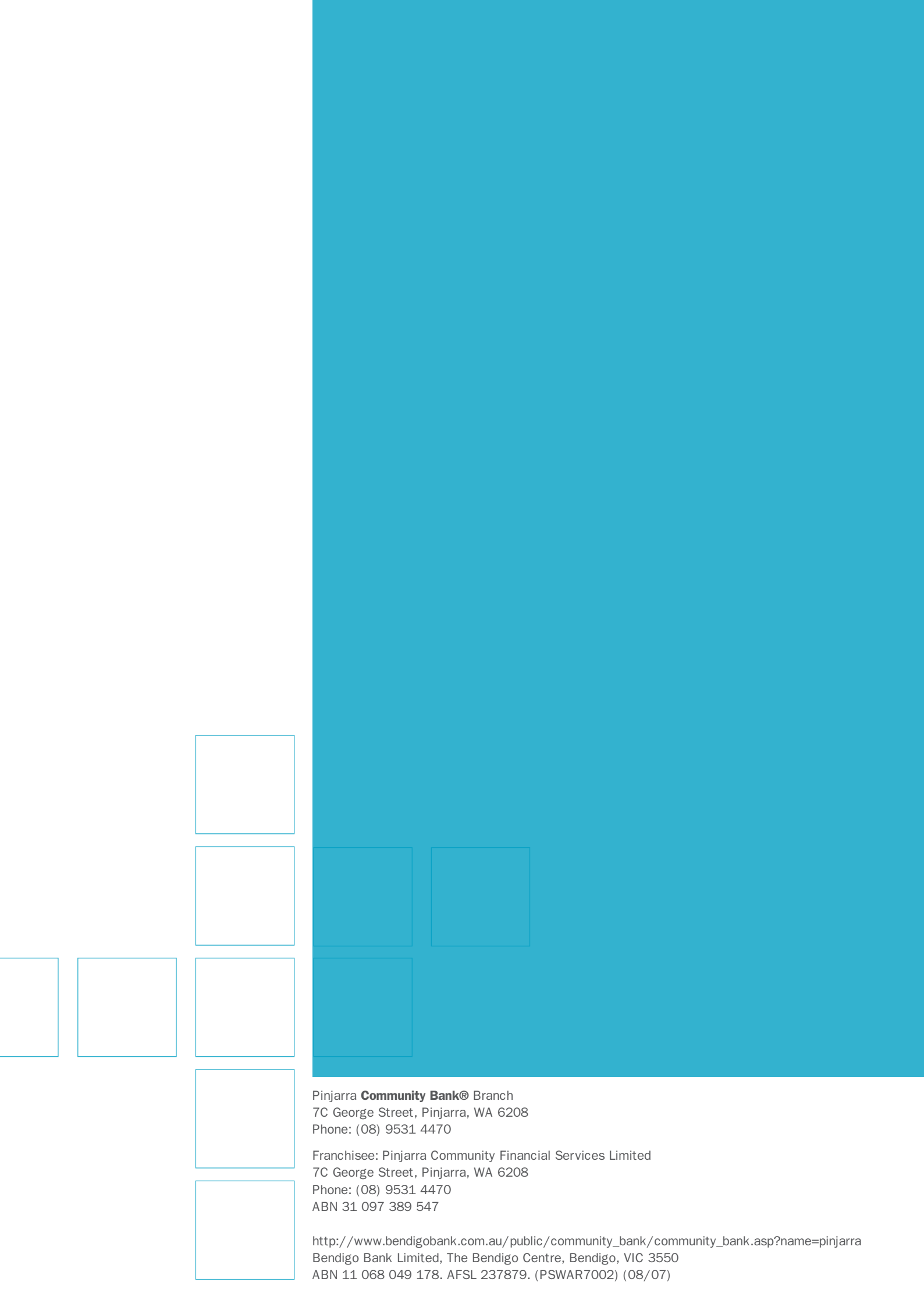
7c George Street,  
Pinjarra, WA 6208  
Phone: (08) 9531 4470  
Fax:(08) 9531 4480

## **(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, Vic, 3067  
Phone: 1300 85 05 05

## **(h) Trading history**

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



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

Franchisee: Pinjarra Community Financial Services Limited  
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ABN 31 097 389 547

[http://www.bendigobank.com.au/public/community\\_bank/community\\_bank.asp?name=pinjarra](http://www.bendigobank.com.au/public/community_bank/community_bank.asp?name=pinjarra)  
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550  
ABN 11 068 049 178. AFSL 237879. (PSWAR7002) (08/07)