

# Contents

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<b>Chairman's report</b>	<b>2-3</b>
<b>Manager's report</b>	<b>4-5</b>
<b>Directors' report</b>	<b>6-10</b>
<b>Financial statements</b>	<b>11-14</b>
<b>Notes to the financial statements</b>	<b>15-27</b>
<b>Directors' declaration</b>	<b>28</b>
<b>Independent audit report</b>	<b>29</b>
<b>BSX Report</b>	<b>30-31</b>

# Chairman's report

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For year ending 30 June 2006

At the time of our last annual report, the doors of our Home Hill **Community Bank**<sup>®</sup> Branch had been open for merely two days' trading, but that marked a very proud occasion for Company Directors, shareholders and our partner, Bendigo Bank.

Today, I am pleased to report to you on trading results for the first full 12 months' operations, spent in setting up a brand-new business and creating an excellent environment for customers using our services.

Of most importance, I passionately share with our Directors the belief that establishing our branch has met the expectations of our planning phase supporters. Its presence protects the area against further loss of banking facilities, attracts trade and brings benefits to local business through longer term generation of funds which can be invested in community projects. Primarily, this enterprise fulfils our Company's vision to improve use of capital for the benefit of our community and shareholders and to sustain the branch's business through quality of service.

I am also extremely pleased to report that our branch, along with all other banking establishments in town, has fostered the good corporate citizen approach. Home Hill residents now have a choice of first-class modern banking services and, perhaps of more importance, tangible commitment of reinvestment back into the community. This in itself is an excellent outcome!

Pre-dominant focus for the Company has been business development and banking business growth, building on current goodwill and local excitement about owning a **Community Bank**<sup>®</sup> branch which maintains excellence in presentation and service provision. Throughout this exciting and challenging period staff members Karen, Christine, Debbie and Maria, guided by Manager Ken, have performed with commendable effort which is certainly appreciated by the Company. I sincerely thank and congratulate all staff on both their professionalism and their achievements in a job well done! In this I must include the energy and enthusiasm with which staff members and families participated in the traditional Home Hill Harvest Festival procession by entering a float which included that popular figure, the Bendigo Piggy mascot.

Whilst Directors had given due care and attention to prospectus profit and loss forecasts, nothing is certain when creating a new business. An analysis of the 2006 trading period basically shows that although income was down, neither did expenses reach anticipated levels. We expect our business performance will continue its solid, steady growth pattern over the next 12 months.

Our appreciation goes to State Member for Burdekin and Foundation Steering Committee Secretary Mrs Rosemary Menkens M.P. who officially opened our newly installed Automatic Teller Machine as part of our 1st birthday celebrations. The acquisition of our ATM has increased positive banking business opportunities for ongoing customer growth, foreseen in our original business plan and is regarded by Directors as a significant milestone in branch progress.

In the last 12 months we were able to devote Bendigo Bank marketing fund payments to supporting community projects. Our contribution to the projected Burdekin Youth Radio Program was the catalyst which enabled it to be launched during National Youth Week in April 2006. Directors, staff, and I am sure shareholders as well, are looking forward to our future business profit becoming available to assist similar worthy community projects.

## Chairman's Report continued

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Directors have considered governance in a review which awaits completion but should lead to a more streamlined Board composition. At the AGM in November three Directors will retire in accordance with our constitution and the Corporations Act. Two Directors have indicated their intention to re-nominate.

I take this opportunity to acknowledge the contributions of all Directors who have served the Company during this year, and I thank them for their commitment to our **Community Bank®** company as well as our partner Bendigo Bank Limited, who continue to assist and guide us along in the Bendigo Way.

Directors look forward to reporting more extensively at the Annual General Meeting of shareholders to be held 17 November 2006.



**Bill Lewis**  
**Chairman**

# Manager's report

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For year ending 30 June 2006

Thursday, 29th June 2006 was the day we celebrated the first birthday of our branch. Home Hill **Community Bank®** Branch. That has a nice ring to it doesn't it? **Community Bank®** branch. It gets the mind thinking about all the connotations. The name suggests that the bank is part of the community however it's more than that, the branch is here for the community. If not for the people of Home Hill and their wish to retain and expand the banking facilities in the town, there would be no **Community Bank®** branch.

At the close of business the next day, our first full year of trading had been completed and all I can say is it's been a trip of a lifetime. We have achieved much in terms of attracting customers and supporters to the branch and why not? The concept is a winner with the town already benefiting from the employment of local people, a "buy local" approach in terms of banking and finance and further down the track, a percentage of profits going directly back to local community projects. Of course, we have already started that process with the support given to the local Youth Radio Program and Harvest Festival's Rock Pop Mime event.

The **Community Bank®** model is a unique concept, and one which is quite different to the traditional banking model. Bendigo's model was initially developed for remote rural communities. However, it's not just in country towns that this concept of a community owning a bank branch is a success. More than half of Bendigo Bank's **Community Bank®** network is today located in metropolitan suburbs. It just goes to show that it doesn't matter whether it's in the city or country, people like the friendly and helpful service provided by their **Community Bank®** branch staff. We have readily adopted Bendigo's phrase that "successful customers and successful communities create a successful bank, and in that order". We are seeing it happen here in our district.

When talking about service, you can't go past the great team working in your branch. All have banking backgrounds and they are often heard to remark that the "Bendigo way" of relating to customers and communities is the best they have come across. Karen, Debbie, Chris and Maria can take a bow for the efforts they have gone to in ensuring our customers receive top class service. They spend much time ensuring customers have all of the information required to make an informed decision when selecting a product or service. It is not unusual for them to go above and beyond the call of duty to meet, and in many cases exceed, a customer's expectations.

In terms of banking business, at 30 June 2006, our branch had \$15.9 million in banking business, from almost 600 accounts. We are happy with that achievement and are committed to growing these figures this financial year, attracting an increasing number of locals to bank with their local **Community Bank®** branch.

The installation of our new ATM will further help us in this area and allow us to provide a better level of service to our customers and visitors. Many of our customers like the face-to-face service we provide in our branch from 9am to 5pm from Monday to Friday. However, now we can provide the convenience of 24/7 banking to ensure our customers, and visitors to our **Community Bank®** can access their funds.

Another way we are building our fledgling business is through our advocates, those customers who recommend us to their friends and acquaintances. This is where you as a shareholder have the power to actually influence the profitability of your **Community Bank®** branch. Word of mouth is the most powerful advertising tool we have and the more shareholders we have spreading the **Community Bank®** word, the

## Manager's Report continued

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more people we will have banking with us and the quicker we can return profits to our community in both dividends and community contributions.

With one year of trading under our belt, we have only just scratched the surface in terms of what our community business can achieve. If you haven't already, I urge you to call into your branch or visit Bendigo Bank's website to see how we can assist you. Go to [www.bendigobank.com.au](http://www.bendigobank.com.au) and click on the "Community" tab. Of course, the products and services pages will reassure you that yes, we provide every financial product and service you would expect from a bank. You may also be interested in the Community Engagement aspect of our partner, Bendigo Bank. The following pages will provide information regarding activities undertaken not only by Bendigo Bank, but your **Community Bank®** branch.

- Building Better Communities
- **Community Bank®**
- Community Enterprise™
- Community Enterprise™ Foundation
- News

Finally, I am looking forward to the financial year ahead as being as successful, if not more so, than the past year. With our Directors, staff and shareholders all working together, I can see no reason why this can not be achieved.



Ken Shears  
Branch Manager

# Directors' report

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Your Directors submit the financial report of the company for the financial year ended 30 June 2006.

## Directors

The names and details of the company's directors who held office during or since the end of the financial year:

### **William Charles Lewis**

Chairman

Age: 59

Water Authority Manager

Chairman; Member, Governance.

Interest in shares: 4,001

### **Joan Macedon Heatley**

Secretary

Age: 77

Grazier

Company Secretary; Member, Human Resource.

Interest in shares: 20,001

### **Nancy Robyn Haller**

Treasurer

Age: 61

Company Director

Treasurer; Member, Governance.

Interest in shares: 5,001

### **Colin Richard Casswell**

Director

Age: 45

Administration Officer

Insurance officer; Member, Business Development.

Interest in shares: 1,501

### **David Reginald Jackson**

Director

Age: 57

Senior Journalist

Member, Audit.

Interest in shares: 501

### **Loizos Andreas Loizou**

Director

Age: 69

Cane Farmer

Member, Audit.

Interest in shares: 6,101

### **Tiffany Louise Basse**

Director

Age: 33

Company Secretary

Deputy Company Secretary; Share Registrar.

Interest in shares: 1

### **Robert Darren West**

Director

Age: 44

Dealership Principal

Member, Marketing, Public Relations.

Interest in shares: 6,001

### **Kathryn Leigh Vecchio**

Director (Resigned 24 October 2005)

Age: 38

Small Business Owner.

Interest in shares: 1,001

### **Wayne Kenneth Steel**

Director (Resigned 11 September 2005)

Age 40

Pharmacist.

Interest in shares: 3,001

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

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

# Directors' report continued

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## Company Secretary

The Company Secretary is Joan Heatley. Joan was appointed to the position of Company Secretary on 24 March 2005. She has a Bachelor of Arts degree from the University of Queensland and has experience as a community representative with North & West Queensland Primary Health Care Association, a past President of the Burdekin Community Association and is a partner/Director of Byrne Valley Cattle Company.

## Principal activities

The principal activities of the company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

There has been no significant changes in the nature of these activities during the year.

## Operating Results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2006	30 June 2005
\$	\$
(215,789)	(11,817)

## Remuneration

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and who have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

The Branch Manager commenced employment on 20 June 2005. He is employed on a contract which is in line with the standards and remuneration levels applicable to Bendigo Bank staff in similar roles.

## Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

## Significant changes in the 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 this report or the financial report.

# Directors' report continued

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## **Matters subsequent to the end of the financial year**

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

## **Likely Developments**

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

## **Environmental Regulation**

The company is not subject to any significant environmental regulation.

## **Directors' Benefits**

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

## **Indemnification and Insurance of Directors and Officers**

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Managers of the company except where the liability arises out of conduct involving the lack of good faith. The premium paid in respect to this policy is \$2,860.

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



# Directors' report continued

## Directors Meetings

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

	Number of Board Meetings eligible to attend	Number attended
William Charles Lewis	13	13
Joan Macedon Heatley	13	12
Nancy Robyn Haller	13	12
Colin Richard Casswell	13	11
David Reginald Jackson	13	11
Loizos Andreas Loizou	13	12
Tiffany Louise Basse	13	8
Robert Darren West	13	8
Kathryn Leigh Vecchio (Resigned 24 October 2005)	4	2
Wayne Kenneth Steel (Resigned 11 September 2005)	3	3

## Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;

none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

## Directors' report continued

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### Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of South Burdekin Community Financial Services Limited.

As lead auditor for the review of the financial statements of South Burdekin Community Financial Services Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



David Hutchings  
Auditor

Andrew Frewin & Stewart

Bendigo VIC 3550

Dated: 25 September 2006

# Financial statements

## Income statement

For year ending 30 June 2006

	Notes	2006 \$	2005 \$
Revenues from ordinary activities	3	69,827	1,930
Salaries and employee benefits expense		(245,312)	-
Advertising and promotion		(2,488)	-
Occupancy and associated costs		(25,245)	-
Systems costs		(22,420)	-
Depreciation and amortisation expense	4	(22,339)	-
General administration		(55,924)	(18,293)
<b>Loss from ordinary activities before income tax expense/credit</b>		<b>(303,901)</b>	<b>(16,363)</b>
Income tax expense/credit	5	90,394	4,546
<b>Loss from ordinary activities after income tax credit</b>		<b>(213,507)</b>	<b>(11,817)</b>
<b>Loss attributable to members of South Burdekin Community Financial Services Limited</b>		<b>(213,507)</b>	<b>(11,817)</b>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	19	(33.38)	-

# Financial statements continued

## Balance sheet

As at 30 June 2006

	Notes	2006 \$	2005 \$
<b>Current Assets</b>			
Cash assets	6	75,489	515,929
Trade and other receivables	7	11,398	1,326
<b>Total Current Assets</b>		<b>86,887</b>	<b>517,255</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	192,908	-
Intangibles	9	48,000	-
Deferred tax assets	10	94,940	4,546
<b>Total Non-Current Assets</b>		<b>335,848</b>	<b>4,546</b>
<b>Total Assets</b>		<b>422,735</b>	<b>521,800</b>
<b>Current Liabilities</b>			
Trade and other payables	11	26,241	7,675
Other	12	-	525,450
Share Applications	13	12,682	482
Total Current Liabilities		39,323	533,607
Total Liabilities		39,323	533,607
<b>Net Assets</b>		<b>383,412</b>	<b>(11,807)</b>
<b>Equity</b>			
Contributed equity	14	606,736	10
Accumulated losses	15	(225,324)	(11,817)
<b>Total Equity</b>		<b>383,412</b>	<b>11,807</b>

## Financial statements continued

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### Statement of changes in equity

For year ending 30 June 2006

	2006 \$	2005 \$
Total equity at the beginning of the financial year	(11,807)	-
Net loss for the year	(213,507)	(11,817)
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	-	-
Shares issued during period	639,540	10
Equity raising costs paid during period	(30,814)	-
<b>Total equity at the end of the financial year</b>	<b>383,412</b>	<b>(11,807)</b>

# Financial statements continued

## Statement of cash flows

For year ending 30 June 2006

		2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Cash received from customers		53,376	-
Cash paid to suppliers and employees		(332,570)	(9,975)
Interest received		6,302	-
Interest paid		(128)	(4)
<b>Net inflows from operating activities</b>	<b>16(b)</b>	<b>(273,020)</b>	<b>(9,979)</b>
<b>Cash flows from Investing Activities</b>			
Payment for intangible assets		(60,000)	-
Payments for property plant and equipment		(203,247)	-
<b>Net cash outflows investing activities</b>		<b>(263,247)</b>	<b>-</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of equity securities		114,100	525,460
Payment for share issue costs		(18,273)	-
Proceeds from borrowings		-	448
<b>Net cash inflows from financing activities</b>		<b>95,827</b>	<b>525,908</b>
<b>Net increase/(decrease) in cash held</b>		<b>(440,440)</b>	<b>515,929</b>
Cash at the beginning of the financial year		515,929	-
<b>Cash at the end of the financial year</b>	<b>16(a)</b>	<b>75,489</b>	<b>515,929</b>

# Notes to the financial statements

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## 1. Summary of significant accounting policies

### **Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian equivalents to international Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS).

These financial statements are the first South Burdekin Community Financial Services Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Financial Statements of South Burdekin Community Financial Services Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing South Burdekin Community Financial Services Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company equity and its net income are given in note 20.

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

### **Income tax**

#### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

# Notes to the financial statements continued

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

### **Income tax (continued)**

#### *Deferred tax*

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.



# Notes to the financial statements continued

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

### **Employee entitlements**

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

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

### **Intangibles**

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

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

### **Comparative figures**

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

### **Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

# Notes to the financial statements continued

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

### **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

### **Receivables and Payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### **Borrowings**

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

# Notes to the financial statements continued

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

### **Provisions**

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

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

### **Contributed Capital**

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

## 2. Financial Risk Management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

### (i) Market Risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

### (ii) Price Risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

### (iii) Credit Risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo Bank Limited.

### (iv) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

## Notes to the financial statements continued

### (v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

	2006	2005
	\$	\$

### 3. Revenue from ordinary activities

#### Operating activities:

- margin incomes	29,718	60
- services commissions	31,775	-
- other revenue	2,032	1,870
Total revenue from operating activities	63,525	1,930

#### Non-operating activities:

- interest received	6,302	-
Total revenue from non-operating activities	6,302	-
<b>Total revenues from ordinary activities</b>	<b>69,827</b>	<b>1,930</b>

### 4. Expenses

#### Depreciation of non-current assets:

- plant and equipment	10,339	-
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#### Amortisation of non-current assets:

- franchise agreement	12,000	-
	<b>22,339</b>	<b>-</b>

#### Borrowing expenses:

- interest paid	128	4
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Bad Debts	17	
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## Notes to the financial statements continued

	2006 \$	2005 \$
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### 5. Income tax expense

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows:

Operating loss	(303,901)	(16,363)
Prima facie tax on loss from ordinary activities at 30%	(91,170)	(4,909)
Add tax effect of:		
- non-deductible expenses and temporary differences	776	363
<b>Income tax credit on operating loss</b>	<b>(90,394)</b>	<b>(4,546)</b>

### 6. Cash assets

Cash at bank and on hand	5,158	515,929
Term deposit	70,331	-
<b>Total</b>	<b>75,489</b>	<b>515,929</b>

### 7. Trade and other receivables

Trade receivables	6,569	66
Prepayments	2,971	-
Other	1,858	1,260
	<b>11,398</b>	<b>1,326</b>

### 8. Property, plant and equipment

#### *Plant and equipment*

At cost	190,902	-
Less accumulated depreciation	(7,471)	-
	<b>183,431</b>	<b>-</b>

#### *Computer software*

At cost	12,345	-
Less accumulated depreciation	(2,868)	-
	9,477	-
<b>Total written down amount</b>	<b>192,908</b>	<b>-</b>

## Notes to the financial statements continued

	2006 \$	2005 \$
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### 8. Property, plant and equipment (continued)

#### Movements in carrying amounts:

##### *Plant and equipment*

Carrying amount at beginning	-	-
Additions	190,902	-
Disposals	-	-
Less: depreciation expense	(7,471)	-
<b>Carrying amount at end</b>	<b>183,431</b>	<b>-</b>

##### *Leasehold improvements*

Carrying amount at beginning	-	-
Additions	12,345	-
Disposals	-	-
Less: depreciation expense	(2,868)	-
Carrying amount at end	9,477	-
<b>Total written down amount</b>	<b>192,908</b>	<b>-</b>

### 9. Intangible assets

#### *Franchise Fee*

At cost	60,000	-
Less: accumulated amortisation	(12,000)	-
	<b>48,000</b>	<b>-</b>

### 10. Deferred Tax Asset

#### *Future income tax benefit*

<b>Tax losses - revenue</b>	<b>94,940</b>	<b>4,546</b>
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## Notes to the financial statements continued

	2006 \$	2005 \$
<b>11. Trade and other payables</b>		
Trade Creditors	20,800	2,885
Other creditors & accruals	5,841	4,342
	<b>26,641</b>	<b>7,227</b>
<b>12. Other</b>		
Share application monies received	-	525,450
<b>13. Provisions</b>		
Employee provisions	12,682	482
Number of employees at year end	5	5
<b>14. Contributed equity</b>		
639,550 Ordinary shares of \$1 each (2005: 10)	639,550	10
Less: equity raising expenses	(30,814)	-
<b>15. Accumulated losses</b>		
Balance at the beginning of the financial year	(11,817)	-
Net loss from ordinary activities after income tax	(213,507)	(11,817)
<b>Balance at the end of the financial year</b>	<b>(225,324)</b>	<b>(11,817)</b>

## Notes to the financial statements continued

### 16. Statement of cashflows

	2006 \$	2005 \$
(a) Reconciliation of cash		
Cash at bank and on hand	5,158	515,929
Term deposit	70,331	-
	<b>75,489</b>	<b>515,929</b>
(b) Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities		
Loss from ordinary activities after income tax	(213,507)	(11,817)
Non cash items:		
- depreciation	10,339	-
- amortisation	12,000	-
Changes in assets and liabilities:		
- (increase) in receivables	(10,149)	(1,326)
- (increase) in other assets	(90,394)	(4,546)
- increase in payables	18,691	7,710
<b>Net cashflows used in operating activities</b>	<b>(273,020)</b>	<b>(9,979)</b>

### 17. Auditors' remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit & review services	3,550	2,400
- other services in relation to the company	150	2,800
	<b>3,700</b>	<b>5,200</b>



# Notes to the financial statements continued

## 18. Director and Related party disclosures

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

William Charles Lewis

Joan Macedon Heatley

Nancy Robyn Haller

Colin Richard Casswell

David Reginald Jackson

Loizos Andreas Loizou

Tiffany Louise Basse

Robert Darren West

Kathryn Leigh Vecchio (*Resigned 24 October 2005*)

Wayne Kenneth Steel (*Resigned 11 September 2005*)

No Directors' remuneration has been paid as the positions are held on a voluntary basis.

Directors shareholdings	2006	2005
William Charles Lewis	4,001	1
Joan Macedon Heatley	20,001	1
Nancy Robyn Haller	5,001	1
Colin Richard Casswell	1,501	1
David Reginald Jackson	501	1
Loizos Andreas Loizou	6,101	1
Tiffany Louise Basse	1	1
Robert Darren West	6,001	1
Kathryn Leigh Vecchio ( <i>Resigned 24 October 2005</i> )	1,001	1
Wayne Kenneth Steel ( <i>Resigned 11 September 2005</i> )	3,001	1

Each share held is valued at \$1 and is fully paid.

## 19. Earnings per Share

	c	c
Loss per share for the financial year were:	(33.38)	-

## Notes to the financial statements continued

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### 20. Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

#### **Impact on the income statement**

Nil.

#### **Impact on the balance sheet**

Nil.

### 21. Subsequent events

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

### 22. Contingent liabilities

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

### 23. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients.

The economic entity operates in one geographic area being the Burdekin District, Queensland.

### 24. Registered office/Principal place of business

The registered office and principal place of business is:

<b>Registered office</b>	<b>Principal place of business</b>
93 Eighth Avenue	93 Eighth Avenue
Home Hill QLD 4806	Home Hill QLD 4806

# Notes to the financial statements continued

## 25. Financial Instruments

### Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at the year end.

### Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

### Interest rate risk

Financial instrument	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial Assets</b>												
Cash assets	5,158	525,460	-	-	-	-	-	-	-	-	0.05	0.05
Term Deposit	-	-	70,331	-	-	-	-	-	-	-	4.95	N/A
Receivables	-	-	-	-	-	-	-	-	11,398	1,326	N/A	N/A
<b>Financial Liabilities</b>												
Interest bearing liabilities	-	9,531	-	-	-	-	-	-	-	448	N/A	N/A
Payables	-	-	-	-	-	-	-	-	26,641	7,227	N/A	N/A

# Directors' declaration

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In accordance with a resolution of the directors of South Burdekin Community Financial Services Limited, we state that:

In the opinion of the directors:

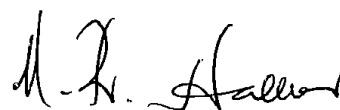
- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



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William Charles Lewis, Chairman



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Nancy Robyn Haller, Director

Signed on the 21st of September 2006.

# Independent audit report



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www.afsbendigo.com.au  
ABN 51 061 795 337

## **INDEPENDENT AUDIT REPORT**

To the members of South Burdekin Community Financial Services Limited

### **Scope**

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for South Burdekin Community Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial 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 compensation disclosures contained in the directors' report.

### **Audit approach**

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, 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 form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and 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.

The audit opinion expressed in this report has been formed on the above basis.

### **Audit Opinion**

In our opinion:

1. the financial report of South Burdekin 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 2006 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.

  
**DAVID HUTCHINGS**

**ANDREW FREWIN & STEWART**

61-65 Bull Street, Bendigo, VIC 3550

Dated this 25<sup>th</sup> day of September 2006

# BSX report

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## Share Information re South Burdekin Community Financial Services Limited

In accordance with Bendigo Stock Exchange listing rules the Company provides the following information as at 13 October 2006, which is within 6 weeks of this report being sent to Shareholders.

The following table shows the number of Shareholders, broken into various categories showing the total number of shares held.

Number of Shares Held	Number of Shareholders
1 to 1,000	187
1,001 to 5,000	111
5,001 to 10,000	6
10,001 to 100,000	4
100,001 and over	0
<b>Total Shareholders</b>	<b>308</b>

Each of the above Shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial Shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial Shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 4 Shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

# BSX report continued

The following table shows the 10 largest Shareholders.

Shareholder	Number of Shares	Percentage of Capital
Homestead (Qld) Pty Ltd	20000	3.20%
Mr Keith Mann	20000	3.20%
Mr Richard Chatfield	12000	1.90%
Mrs Joan Heatley	10001	1.60%
Mr Thomas Callow	10000	1.60%
Mr Francis Heatley	10000	1.60%
Mr Raymond Falco	10000	1.60%
Mr Alf Musumeci	10000	1.60%
Mr Leslie Sibson	10000	1.60%
Mr Graham Anderson	6000	0.95%
	<b>118,001</b>	<b>0</b>

## Registered Office and Principal Administrative Office

The registered office of the Company is located at:

93 Eighth Avenue  
Home Hill Queensland 4806  
Phone: 07 4782 2249

## The principal administrative office of the Company is located at:

93 Eighth Avenue  
Home Hill Queensland 4806  
Phone: 07 4782 2249

## Security Register

### The security register (share register) is kept at:

Bendigo Bank Share Registry  
Bendigo Bank , Fountain Court, Bendigo, Victoria 3552

## Other Information

Please refer to the Directors report, within the annual report, for details of the Company Secretary and main corporate governance practices of the entity.

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.