South Burdekin
Community Financial Services Limited
ABN 86 113 530 902

2007 annual report

Home Hill
Community Bank® Branch

Bendigo Bank

Contents

Chairman's report

For year ended 30 June 2007

I am delighted to have the opportunity to present our third Annual Report to the Shareholders of South Burdekin Community Financial Service Limited for the 2006-2007 financial year.

Since opening our doors on 29 June 2005 with no accounts (now approximately 750) and no money on the books, we have had steady, continual growth to achieve our total business portfolio of approximately $24.7 million. This is a great result considering we started with nothing in a community that was loyal to their existing financial institutions.

As reported at our last Annual General Meeting (AGM), our founding Chairman, Bill Lowis, retired from the Board. I personally, and on behalf of the Board, wish to thank Bill for his efforts and continued support of our common goals. Bill was Chairman of the initial **Community Bank®** Steering Committee for two years and Chairman of the Board for the first 18 months.

During early February 2007, Ken Shears resigned his position as Branch Manager. The Board decided to promote from within and appointed Karen McKaig as our new Branch Manager. Karen was our full time Customer Service Officer and had been involved with the Steering Committee. Karen and her wonderful staff Maria, Debbie and Christine have taken up the challenge to provide the community with professional, efficient and friendly banking services to our community, and the results to date reflect their commitment.

I would like to thank my fellow Directors for their unlimited support and enthusiasm as we continue to plan the growth of our business in a manner which will produce steady profits for our shareholders, and to be able to provide funding and sponsorships for our community projects. We are all volunteers and receive nothing for our services.

The success of our Company is, to a significant degree, dependent on the standing and success of Bendigo Bank. Bendigo Bank's regional staff have provided on going support and encouragement which has at times been invaluable to the Board and staff.

Finally, without the support, generosity and confidence of our Shareholders, we would not have our **Community Bank®** branch. I would like to thank you all for your support, and encourage Shareholders to act as advocates and try to encourage as many of your family, friends and associates to explore all the products and services on offer at our **Community Bank®** branch, as this will enable us to achieve our goals of reaching profitability.

Yours Sincerely,

R.D. West
Chairman

Manager's report

For year ended 30 June 2007

Our **Community Bank®** branch is now two years old and continuing to go from strength to strength due to the strong support from our community. We have opened 202 new accounts in the last 12 months and increased our total business held to $24.7 million. Our overall income was down on the modified forecast figures, however as our lending book grows, our margin income will improve. Margin income is the difference between what we charge customers in loan interest and what we pay customers in deposit interest. What will make us more successful? By having more customers wanting to invest and borrow from us.

The **Community Bank®** concept, although only two years old in Home Hill, has proven to be a successful model since Bendigo Bank's first **Community Bank®** branch opened 9 years ago, and has contributed to building successful communities across Australia. We are lucky to live in a wealthy district with good facilities provided mostly by the hard work of members of volunteer organisations and our local council. However, with changing times and with most families having both partners working, these volunteer organisations are experiencing difficulties recruiting new members. This is where the profits from your **Community Bank®** branch can be utilised, and all the community members need to do is to conduct their banking with us. It's that simple!

The installation of our ATM has allowed us to provide a better level of service to both our own customers and the travelling public. ATM transactions are now averaging around 2,000 per month. The installation of the ATM has been welcomed by the community and, along with the reduced expense of not opening on Saturday mornings, is a cost effective measure for the branch. Our extended opening hours from 9.00am to 5.00pm Monday to Friday provide our customers with that much sought after face to face service.

Our aim over the next 12 months is to continue to promote the branch and the benefits that banking with the Home Hill **Community Bank®** Branch has for our customers, our shareholders and our community. We are striving towards profit and will continue to approach prospective clients to promote the benefits for themselves and our community in banking with their **Community Bank®** branch. These benefits far outweigh the small inconvenience of transferring their banking from an organisation that sends its profits to their major shareholders, situated in capital cities. We need continued growth in our community to provide a future for our children and grandchildren, and you are able to help by simply conducting your banking with us. We are a branch that provides all the products and services available from the major banks, with the personal service that you like!

Our branch team consists of myself and Maria as full-time employees, along with Chris and Debbie who complete the team as part-time employees. I cannot speak highly enough about the professionalism and integrity shown by these ladies, both within the branch and in their community work. Unfortunately Ken Shears resigned due to personal reasons in February.

At this stage I would also like to acknowledge and thank our hard working Board members who volunteer so much of their time, and our advocates, these are the people who recommend us to their friends and acquaintances. To our existing customers we hope your needs have been fulfilled and that we will continue to be your bank branch of choice. I would also like to remind our shareholders that they also have the power to actually influence the profitability of their **Community Bank®** branch by becoming customers themselves, and by recommending the branch to their associates. The more customers we have, the quicker we will return profits to the community in the form of dividends and projects.

Manager's report continued

During the last 12 months we have continued to support the local Youth Radio Program and the Harvest Festival's Rock Pop Mime event. We also use a 'buy local' approach, with most of our consumables and services being purchased locally.

For further information on why the Bendigo Bank is held in high regard I recommend that you visit Bendigo Bank's web site. If you go to www.bendigobank.com.au click on the "Community" tab and check out the following pages:

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

News

We are looking forward to another successful year, and with the assistance of the Directors, staff, shareholders, customers, and the community, our continued growth is assured.

Yours sincerely,

Karen McKaig

Branch Manager

Directors' report

For year ended 30 June 2007

Your Directors submit the financial report of the Company for the financial year ended 30 June 2007.

Directors

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

Robert Darren West
Chairman/Director (Appointed: 17 November 2006)
Age: 45
Occupation: Dealership Principal
Appointed: 24/03/2005
Special responsibilites: Marketing Committee
Public Relations Committee
Interest in Shares: 6,001

Nancy Robyn Haller
Director
Age:62
Occupation: Company Director
Appointed: 24/03/2005
Special responsibilities:Treasurer
Governance Committee
Interest in Shares:5001

Joan Macedon Heatley
Director
Age: 78
Occupation: Grazier
Appointed: 24/03/2005
Special responsibilities: Company Secretary
H.R. Committee
Interest in Shares: 20,001

Colin Richard Casswell
Director
Age: 46
Occupation: Administration Officer
Appointed: 24/03/2005
Special responsibilities: Business Develop. C'tee
Insurance Monitor
Interest in Shares: 1,001

David Reginald Jackson
Director
Age: 58
Occupation: Senior Journalist
Appointed: 24/03/2005
Special responsibilites: Audit Committee
Interest in Shares: 501

Loizos Andreas Loizou
Director
Age: 70
Occupation: Cane Farmer
Appointed: 24/03/2005
Special responsibilities: Audit Committee
Interest in Shares: 6,101

Rodney William Prescott
Director (Appointed: 6 March 2007)
Age: 67
Occupation: Pharmacist
Special responsibilities: Member Public Relations
Interest in shares: 5000

William Charles Lowis
Chairman/Director (Resigned: 17 November 2006)
Age: 60
Occupation: Water Authority Manager
Appointed: 24/03/2005
Special responsibilities: Chairman
Governance Committee
Monitor all Committees
Interest in Shares: 4,001

Tiffany Louise Basse
Director (Resigned: 30 November 2006)
Age: 34
Occupation: Company Secretary
Appointed: 24 March 2005
Special responsibilities: Monitor Share Register
Interest in shares: 1

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

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

Company Secretary

The Company Secretary is Joan Heatley. Joan was appointed to the position of 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 Assocation 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 facilitating 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 profit/(loss) of the Company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2007	30 June 2006
$ (92,854)	$ (213,507)

Remuneration report

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 current Branch Manager commenced employment on 9 February 2007. She is employed on a contract which is in line with the standards and remuneration levels applicable to Bendigo Bank staff in similar roles. The previous Branch Manager resigned for personal reasons on 9 February 2007.

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

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 facilitating 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 Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

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 Lowis	4	4
Nancy Robyn Haller	11	11
Joan Macedon Heatley	11	8
Colin Richard Casswell	11	10
David Reginald Jackson	11	10
Loizos Andreas Loizou	11	8
Robert Darren West	11	11
Tiffany Louise Basse	4	1
Rodney William Prescott	6	5

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:

a) 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;

b) 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.

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Board of Directors at Home Hill, Queensland on 5 September 2007.

Joan M. Heatley

Robert Darren West, Chairman

Joan Macedon Heatley, Director

Auditor's independence declaration

partners in success
Chartered Accountants & Business Advisors

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Bendigo VIC 3550
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As lead Auditor for the audit of South Burdekin Community Financial Services Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of South Burdekin Community Financial Services Limited.

David Hutchings
Auditor Partner

Andrew Frewin & Stewart
Bendigo

Financial statements

Income statement

For year ended 30 June 2007

	Note	2007 $	2006 $
Revenues from ordinary activities	3	169,276	63,525
Interest received		915	6,302
Salaries and employee benefits expense		(156,771)	(245,312)
Advertising and promotion expenses		(5,748)	(2,488)
Occupancy and associated costs		(25,707)	(25,245)
Systems costs		(21,489)	(22,420)
Depreciation and amortisation expense	4	(24,911)	(22,339)
General administration expenses		(60,761)	(55,924)
Profit/(loss) before income tax expense/credit		**(125,196)**	**(303,901)**
Income tax credit	5	32,342	90,394
Profit/(loss) for the period		**(92,854)**	**(213,507)**
Profit/(loss) attributable to members of the entity		**(92,854)**	**(213,507)**
Earnings per share (cents per share)		**c**	**c**
- Basic for profit for the year	19	(14.48)	(33.38)
- Dividends paid per share		-	-

The accompanying notes form part of these financial statements.

Balance sheet

For year ended 30 June 2007

	Note	2007 $	2006 $
Current assets			
Cash assets	6	130	75,489
Trade and other receivables	7	11,691	11,398
Total current assets		**11,821**	**86,887**
Non-current assets			
Property, plant and equipment	8	179,997	192,908
Intangible assets	9	36,000	48,000
Deferred tax assets	10	127,282	94,940
Total non-current assets		**343,279**	**335,848**
Total assets		**355,100**	**422,735**
Current liabilities			
Trade and other payables	11	8,293	26,641
Borrowings	12	46,030	-
Provisions	13	8,709	12,682
Total current liabilities		**63,032**	**39,323**
Total liabilities		**63,032**	**39,323**
Net assets		**292,068**	**383,412**
Equity			
Contributed equity	14	610,246	608,736
Retained profits/(accumulated losses)	15	(318,178)	(225,324)
Total equity		**292,068**	**383,412**

The accompanying notes form part of these financial statements.

Statement of cash flow

For year ended 30 June 2007

	Note	2007 $	2006 $
Cash flows from operating activities			
Receipts from customers		167,633	53,376
Payments to suppliers and employees		(289,629)	(332,570)
Interest received		915	6,302
Income taxes paid		(308)	(128)
Net cash inflow/(outflow) from operating activities	**16**	**(121,389)**	**(273,020)**
Cash flows from investing activities			
Payment for intangible assets		-	(60,000)
Payments for property plant and equipment		-	(203,247)
Net cash inflow/(outflow) from investing activities		**-**	**(263,247)**
Cash flows from financing activities			
Proceeds from issues of equity securities		-	114,100
Payment of share issue costs		-	(18,273)
Proceeds from borrowings		46,030	-
Net cash inflow/(outflow) from financing activities		**46,030**	**95,827**
Net increase/(decrease) in cash held		**(75,359)**	**(440,440)**
Cash at the beginning of the financial year		75,489	515,929
Cash at the end of the financial year	**6(a)**	**130**	**75,489**

The accompanying notes form part of these financial statements.

Equity statement

For year ended 30 June 2007

	Note	2007 $	2006 $
Total equity at the beginning of the financial year		383,412	(11,807)
Net income/expense recognised directly in equity		-	-
Net profit/(loss) for the year		(92,854)	(213,507)
Total recognised income & expenses for the year		-	-
Shares issued during period		1,510	639,540
Costs of issuing shares		-	(30,814)
Dividends provided for or paid		-	-
Total equity at the end of the financial year		**292,068**	**383,412**

The accompanying notes form part of these financial statements.

Notes to the financial statements

Note 1: Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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.

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

Note 1: Summary of significant accounting policies continued

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).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on 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 there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its 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.

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.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies continued

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the financial statements continued

Note 1: Summary of significant accounting policies continued

Payment terms

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

Trade 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 initially measured at the principal amount. Interest is recognised as an expense as it accrues.

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 of 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 equity

Ordinary shares are 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.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 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.

(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.

	2007 $	2006 $

Note 3: Revenue from ordinary activities

Operating activities:		
- margin income	79,088	29,718
- services commissions	90,188	31,775
- other revenue	-	2,032
Total revenue from operating activities	**169,276**	**63,525**
Non-operating activities:		
- interest received	915	6,302
Total revenue from non-operating activities	**915**	**6,302**
Total revenues from ordinary activities	**170,191**	**69,827**

Note 4: Expenses

Depreciation of non-current assets:		
- plant and equipment	12,911	10,339
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	24,911	**22,339**
Finance costs:		
- interest paid	308	128
Bad debts	-	17

	2007 $	2006 $
Note 5: Income tax expense		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit/(loss)	(125,196)	(303,901)
Prima facie tax on profit/(loss) from ordinary activities at 30%	(37,559)	(91,170)
Add tax effect of:		
- non-deductible expenses	3,600	2,700
- change in provisions	-	4,414
- timing and temporary difference expenses	5,389	-
Less tax effect of:		
- change in provisions	(1,923)	-
- blackhole expenses	(1,849)	(1,885)
- timing and temporary difference expenses	-	(4,453)
Income tax expense on operating profit/(loss)	**(32,342)**	**(90,394)**
Deferred tax asset carried forward	**(127,282)**	**(94,940)**
Note 6: Cash assets		
Cash at bank and on hand	130	5,158
Term deposits	-	70,331
	130	**75,489**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:		
6(a). Reconciliation of cash		
Cash at bank and on hand	130	5,158
Term deposit	-	70,331
	130	**75,489**

	2007 $	2006 $

Note 7: Trade and other receivables

	2007 $	2006 $
Trade receivables	8,211	6,569
Prepayments	2,680	2,971
Other	800	1,858
	11,691	**11,398**

Note 8: Property, plant and equipment

	2007 $	2006 $
Plant and equipment		
At cost	190,902	190,902
Less accumulated depreciation	(15,444)	(7,471)
	175,458	**183,431**
Leasehold improvements		
At cost	12,345	12,345
Less accumulated depreciation	(7,806)	(2,868)
	4,539	**9,477**
Total written down amount	**179,997**	**192,908**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning	183,431	-
Additions	-	190,902
Disposals	-	-
Less: depreciation expense	(7,973)	(7,471)
Carrying amount at end	175,458	183,431
Leasehold improvements		
Carrying amount at beginning	9,477	-
Additions	-	12,345
Disposals	-	-
Less: depreciation expense	(4,938)	(2,868)
Carrying amount at end	**4,539**	**9,477**
Total written down amount	**179,997**	**192,908**

Notes to the financial statements continued

	2007 $	2006 $

Note 9: Intangible assets

Franchise fee

At cost	60,000	60,000
Less: accumulated amortisation	(24,000)	(12,000)
	36,000	**48,000**

Note 10: Deferred tax asset

Tax losses - revenue	**127,282**	**94,940**

Note 11: Trade and other payables

Trade creditors	5,293	20,800
Other creditors & accruals	3,000	5,841
	8,293	**26,641**

Note 12: Borrowings

Bank overdraft	46,030	-

Note 13: Provisions

Employee provisions	8,709	12,682
Number of employees at year end	**4**	**5**

Note 14: Contributed equity

641,060 Ordinary shares fully paid of $1 each (2006: 639,550)	641,060	639,550
Less: equity raising expenses	(30,814)	(30,814)
	610,246	**608,736**

Note 15: Accumulated losses

Balance at the beginning of the financial year	(225,324)	(11,817)
Net loss from ordinary activities after income tax	(92,854)	(213,507)
Dividends paid	-	-
Balance at the end of the financial year	**(318,178)**	**(225,324)**

	2007 $	2006 $

Note 16: Statement of cash flows

Reconciliation of loss from ordinary activities after tax
to net cash provided by operating activities

	2007 $	2006 $
Profit/(Loss) from ordinary activities after income tax	(92,854)	(213,507)
Non cash items:		
- depreciation	12,911	10,339
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,642)	(10,149)
- (increase)/decrease in other assets	(28,659)	(90,394)
- increase/(decrease) in payables	(24,655)	18,691
-increase/(decrease) in equity	1,510	-
Net cashflows provided by operating activities	**(121,389)**	**(273,020)**

Note 17: Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

	2007 $	2006 $
- audit & review services	4,595	3,550
- other services in relation to the Company	464	150
	5,059	**3,700**

Note 18: Director and related party disclosures

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

William Charles Lowis

Nancy Robyn Haller

Joan Macedon Heatley

Colin Richard Casswell

David Reginald Jackson

Loizos Andreas Loizou

Robert Darren West

Tiffany Louise Basse

Rodney William Prescott

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Note 18: Director and related party disclosures continued

Directors shareholdings	2007	2006
William Charles Lowis	4,001	4,001
Joan Macedon Heatley	20,001	20,001
Nancy Robyn Haller	5,001	5,001
Colin Richard Casswell	1,501	1,501
David Reginald Jackson	501	501
Loizos Andreas Loizou	6,101	6,101
Tiffany Louise Basse	1	1
Robert Darren West	6,001	6,001
Rodney William Prescott	5,000	5,000

There was no movement in Directors shareholdings during the year. Each share held is valued at $1.

Note 19: Earnings per share

	2007 $	2006 $
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	(92,854)	(213,507)

	2007 Number	2006 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	641,060	639,550

Note 20: Events occurring after the balance sheet date

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

Note 21: Contingent liabilities

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

Note 22: Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Burdekin district, Queensland.

Note 23: Registered office/Principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
93 Eighth Avenue	93 Eighth Avenue
Home Hill, QLD 4806	Home Hill, QLD 4806

Note 24: 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

Fixed interest rate maturing in												
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	
	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 $	2006 $	2007 %	2006 %
Financial assets												
Cash assets	130	5,158	-	-	-	-	-	-	-	-	0.05	0.05
Term Deposit	-	-	-	70,331	-	-	-	-	-	-	N/A	4.95
Receivables	-	-	-	-	-	-	-	-	11,691	11,398	N/A	N/A
Financial liabilities												
Interest bearing liabilities	46,030	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	8,293	26,641	N/A	N/A

Director's declaration

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 2007 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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

Robert Darren West, Chairman

Joan Macedon Heatley, Director

Signed on 5 September 2007.

BSX report

Share information

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 12 October 2007, which is within 6 weeks of this report being sent to shareholders.

Information required by the Bendigo Stock Exchange and not shown elsewhere in this report is as follows.

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

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

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	nil
Total shareholders	**308**

A single voting right is attached to each shareholding.

There are currently four shareholders each holding a less than marketable parcel of shares (i.e.$500 in value).

There are no unquoted equity securities on issue, and there are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share.

The following table shows the 10 largest shareholders

Shareholder	Number of shares	Percentage of capital
Homestead (Qld) Pty Ltd	20,000	3.20%
Mr Keith Mann	20,000	3.20%
Mr Richard Chatfield	12,000	1.90%
Mrs Joan Heatley	10,001	1.60%
Mr Thomas Callow	10,000	1.60%
Mr Francis Heatley	10,000	1.60%
Mr Raymond Falco	10,000	1.60%
Mr Alf. Musumeci	10,000	1.60%
Mr Leslie Sibson	10,000	1.60%
Mr Graham Anderson	6,000	0.95%
	118,001	**0**

Registered office and principal administrative office

The registered office of the Company is located at:

93 Eighth Avenue
Home Hill, QLD 4806
Phone: 07 4782 2249

The principal administrative office of the Company is located at:

93 Eighth Avenue
Home Hill, QLD 4806
Phone: 07 4782 2249

Security register

The security register is kept at:

Computershare Investor Services Pty Limited ABN 48 078 279 277
Yarra Falls, 452 Johnston Street
Abbotsford, VIC 3067
Phone: 03 9145 5000

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.

[Annual Report South Burdekin Community Financial Services Limited]

Home Hill **Community Bank®** Branch
93 Eighth Ave, Home Hill, QLD 4806
Phone: (07) 4782 2249

Franchisee: South Burdekin Community Financial Services Limited
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