

Warburton Community Financial Services Limited
ABN 54 090 252 627
Directors' Report

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 are:

| | |
|---|---|
| Mr R J Murray Compliance Officer | Mr G M Vickers Company Secretary |
| Mr B Berry Motel/Conference Centre Owner | Ms C L Fitzpatrick Account Manager |
| Mr M Magee Truck Body Builder | Mr L G Corallo Strawberry Farmer |
| Mr L B Marshall Retired Maintenance Manager Appointed: 6 March 2006 | Ms E R Fox Student Counsellor Appointed: 6 March 2006 |
| Mr R J Woods Environmental Consultant Appointed: 6 March 2006 | Mr R McKail Governance manager Appointed: 1 May 2006 |
| Mrs R L Chisholm Teacher Resigned: 8 February 2006 | Mr R V Musgrove Bank Executive Resigned: 30 June 2006 |

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

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

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was \$37,566 (2005: \$211,674). The reduction in profit from 2005 is attributable to additional donations and sponsorship payments.

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Directors' Report

Year Ended 30 June 2006

| Dividends | Cents | \$'000 |
|---|--------------|---------------|
| Final dividends recommended after year end: | 9 | 36 |
| Dividends paid in the year: | | |
| - As recommended in the prior year report | 9 | 36 |

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.

Significant events after the balance date

Other than the declaration of a dividend as disclosed above, 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.

Directors' Benefits

Other than detailed below 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.

Executive Remuneration

| | <u>Primary Benefits</u> Salary & Fees | <u>Post Employment</u> Superannuation | <u>Other</u> | <u>Total</u> |
|--------------------------------------|--|--|--------------|--------------|
| | \$ | \$ | \$ | \$ |
| Mick Spruhan (Branch Manager) | | | | |
| 2006 | - | - | - | - |
| 2005 | 76,891 | 5,052 | 110 | 82,053 |
| Darren Pennington (Branch Manager) | | | | |
| 2006 | 61,250 | 5,512 | 233 | 66,995 |
| 2005 | - | - | - | - |
| Geoffrey Vickers (Company Secretary) | | | | |
| 2006 | 23,836 | 1,864 | - | 25,700 |
| 2005 | 4,069 | - | - | 4,069 |

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Directors' Report

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.

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 Meetings

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

2006

Number of Meetings Held:

12

Number of Meetings Attended:

| | |
|---|----|
| Mr G M Vickers | 11 |
| Mr R J Murray | 12 |
| Mr R V Musgrove (Resigned 30 June 2006) | 1 |
| Mr B Berry | 11 |
| Ms C L Fitzpatrick | 12 |
| Mr M Magee | 12 |
| Mrs R L Chisholm (Resigned 8 February 2006) | 8 |
| Mr L G Corallo | 4 |
| Ms E R Fox (Appointed 6 March 2006) | 3 |
| Mr L B Marshall (Appointed 6 March 2006) | 4 |
| Mr R J Woods (Appointed 6 March 2006) | 2 |
| Mr R McKail (Appointed 1 May 2006) | 1 |

Company Secretary

Mr G M Vickers has been the company secretary of Warburton Community Financial Services Ltd for 3 1/2 years, he holds qualifications in Hospitality, Horticulture and Community services. He operated his own crop spraying business for 10 years until he sold the business in 2004. Prior to commencing his business he was Operations Manager for Muirfield Plant Protection.

Corporate Governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are G Vickers (Convenor), B Berry and M Magee;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Warburton Community Financial Services Limited
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Directors' Report

Auditor Independence Declaration

The directors received the following declaration from the auditor of the company:

Richmond Sinnott & Delahunty
Chartered Accountants



PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Warburton Community Financial Services Ltd for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
11 September 2006

Signed in accordance with a resolution of the Board of Directors at Warburton, Victoria on 11 September 2006

Baden Berry, Chairman

Warburton Community Financial Services Limited
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Income Statement
for the year ended 30 June 2006

| | <u>Notes</u> | 2006 \$ | 2005 \$ |
|--|--------------|--------------------------|--------------------------|
| Revenues from ordinary activities | 2 | 846,900 | 839,819 |
| Employee benefits expense | 3 | (283,943) | (247,737) |
| Depreciation and amortisation expense | 3 | (7,849) | (15,924) |
| Finance costs | 3 | (4,957) | (2,219) |
| Administration and other expenses from ordinary activities | | <u>(489,801)</u> | <u>(272,255)</u> |
| Profit before income tax | | 60,350 | 301,684 |
| Income tax expense | 4 | <u>22,784</u> | <u>90,010</u> |
| Profit after income tax expense | | <u><u>37,566</u></u> | <u><u>211,674</u></u> |
| Earnings per share (cents per share) | | | |
| - basic for profit for the year | 22 | 9.39 | 52.92 |
| - diluted for profit for the year | 22 | 9.39 | 52.92 |
| - dividends paid per share | 21 | 9 | 9 |

The accompanying notes form part of these financial statements

Warburton Community Financial Services Limited
ABN 54 090 252 627
Balance Sheet
As at 30 June 2006

| | <u>Notes</u> | 2006 \$ | 2005 \$ |
|--------------------------------------|--------------|--------------------------|--------------------------|
| Current Assets | | | |
| Cash assets | 6 | 337,133 | 694,323 |
| Current tax asset | 4 | 49,447 | - |
| Receivables | 7 | 73,246 | 62,761 |
| Total Current Assets | | <u>459,826</u> | <u>757,084</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | 588,795 | 29,697 |
| Intangible assets | 9 | 7,607 | 9,705 |
| Total Non-Current Assets | | <u>596,402</u> | <u>39,402</u> |
| Total Assets | | <u>1,056,228</u> | <u>796,486</u> |
| Current Liabilities | | | |
| Payables | 10 | 57,231 | 39,169 |
| Interest bearing liabilities | 11 | 66,870 | - |
| Current tax liability | 4 | - | 19,825 |
| Provisions | 12 | 28,020 | 14,424 |
| Total Current Liabilities | | <u>152,121</u> | <u>73,418</u> |
| Non-Current Liabilities | | | |
| Interest bearing liabilities | 11 | 179,473 | - |
| Total Non-Current Liabilities | | <u>179,473</u> | <u>-</u> |
| Total Liabilities | | <u>331,594</u> | <u>73,418</u> |
| Net Assets | | <u>724,634</u> | <u>723,068</u> |
| Equity | | | |
| Share capital | 13 | 400,000 | 400,000 |
| Retained earnings | 14 | 324,634 | 323,068 |
| Total Equity | | <u>724,634</u> | <u>723,068</u> |

The accompanying notes form part of these financial statements

Warburton Community Financial Services Limited
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Cash Flow Statement
For the year ended 30 June 2006

| | <u>Notes</u> | 2006 \$ | 2005 \$ |
|---|--------------|--------------------------|--------------------------|
| Cash Flows From Operating Activities | | | |
| Cash receipts in the course of operations | | 887,898 | 885,184 |
| Cash payments in the course of operations | | (827,147) | (593,079) |
| Interest received | | 30,186 | 32,045 |
| Income tax paid | | (92,056) | (106,023) |
| Net cash flows from operating activities | 15b | (1,119) | 218,127 |
| Cash Flows From Investing Activities | | | |
| Proceeds from sale of property, plant and equipment | | - | 25,219 |
| Payments for property, plant and equipment | | (566,414) | (1,658) |
| Payments for intangible assets | | - | (10,000) |
| Net cash flows from investing activities | | (566,414) | 13,561 |
| Cash Flows From Financing Activities | | | |
| Proceeds from borrowings | | 246,343 | - |
| Repayment of borrowings | | - | (30,670) |
| Dividends paid | | (36,000) | (36,000) |
| Net cash flows from financing activities | | 210,343 | (66,670) |
| Net increase in cash held | | (357,190) | 165,018 |
| Add opening cash brought forward | | 694,323 | 529,305 |
| Closing cash carried forward | 15a | 337,133 | 694,323 |

The accompanying notes form part of these financial statements

Warburton Community Financial Services Limited
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Statement of Changes in Equity
For the year ended 30 June 2006

| | 2006 \$ | 2005 \$ |
|---------------------------------|--------------------------|--------------------------|
| SHARE CAPITAL | | |
| <i>Ordinary shares</i> | | |
| Balance at start of year | 400,000 | 400,000 |
| Issue of share capital | - | - |
| Share issue costs | <u>-</u> | <u>-</u> |
| Balance at end of year | <u><u>400,000</u></u> | <u><u>400,000</u></u> |
| RETAINED EARNINGS | | |
| Balance at start of year | 323,068 | 147,394 |
| Profit after income tax expense | 37,566 | 211,674 |
| Dividends paid | <u>(36,000)</u> | <u>(36,000)</u> |
| Balance at end of year | <u><u>324,634</u></u> | <u><u>323,068</u></u> |

The accompanying notes form part of these financial statements

Warburton Community Financial Services Limited
ABN 54 090 252 627
Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) 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.

The financial report was authorised for issue by the directors on 11 September 2006.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

This is the first full year financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The financial report prepared at 30 June 2005 was based on Australian Accounting Standards applicable for periods commencing before 1 January 2005 ('AGAAP'). Other than detailed at 1(c) below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

Reconciliations of:

- AIFRS equity as at 1 July 2004 and 30 June 2005; and
- AIFRS profit for the year ended 30 June 2005,

to the balances reported in the 30 June 2005 financial report prepared under AGAAP are detailed in note 1(d) below.

(c) Summary of significant amended accounting policies

Other than detailed below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements. Also refer to note 1(e).

The following accounting policies are different to those used in the 30 June 2005 financial report due to the first time adoption of AIFRS.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

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Notes to the Financial Statements

for the year ended 30 June 2006

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

1. Basis of preparation of the Financial Report (continued)

Income tax (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

| <u>Class of Asset</u> | <u>Depreciation Rate</u> |
|-----------------------|--------------------------|
| Computers | 15-50% |
| Plant & Equipment | 10-25% |
| Building | 2.5% |

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Warburton Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

(d) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under AGAAP are illustrated below:

Reconciliation of total equity as presented under AGAAP to that under AIFRS

| | 30-Jun 2005 \$ | 1-Jul 2004 \$ |
|--------------------------|-------------------------------|------------------------------|
| Total equity under AGAAP | 723,068 | 547,394 |
| Adjustments | <u>-</u> | <u>-</u> |
| Total equity under AIFRS | <u><u>723,068</u></u> | <u><u>547,394</u></u> |

Reconciliation of profit after tax presented under AGAAP to that under AIFRS

| | Year Ended 30-Jun 2005 \$ |
|---|--|
| Profit after tax as previously reported (AGAAP) | 211,674 |
| Adjustments | <u>-</u> |
| Profit after tax under AIFRS | <u><u>211,674</u></u> |

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

Warburton Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

(e) Significant accounting policies

The following is a summary of the material accounting policies adopted. The below accounting policies are consistent with the previous year. Also refer to note 1(c).

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 from 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 Cash Flow Statement 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 operating cash flows.

Employee Benefits

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

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 10% per annum. Franchise fees have been amortised on a straight line basis at a rate of 20%

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, 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.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Warburton Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

1. Basis of preparation of the Financial Report (continued)

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest Bearing Liabilities

All loans are 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 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. Revenue from ordinary activities

| | 2006 | 2005 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Operating activities | | |
| - services commissions | 816,694 | 805,985 |
| - other revenue | 20 | 1,789 |
| Total revenue from operating activities | <u>816,714</u> | <u>807,774</u> |
| Non-operating activities: | | |
| - interest received | 30,186 | 32,045 |
| - other revenue | - | - |
| Total revenue from non-operating activities | <u>30,186</u> | <u>32,045</u> |
| Total revenue from ordinary activities | <u><u>846,900</u></u> | <u><u>839,819</u></u> |

Warburton Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

| | 2006 | 2005 |
|--|----------------|----------------|
| | \$ | \$ |
| 3. Expenses | | |
| Employee benefits expense | | |
| - wages and salaries | 248,291 | 236,923 |
| - superannuation costs | 20,887 | 17,741 |
| - workers' compensation costs | 1,169 | 1,390 |
| - other costs | 13,596 | (8,317) |
| | <u>283,943</u> | <u>247,737</u> |
| Depreciation of non-current assets: | | |
| - plant and equipment | 5,751 | 9,159 |
| Amortisation of non-current assets: | | |
| - intangibles | 2,098 | 6,765 |
| | <u>7,849</u> | <u>15,924</u> |
| Finance Costs: | | |
| - interest paid | 4,957 | 2,219 |
| Bad debts | 2,501 | 5,716 |
| 4. Income Tax Expense | | |
| The prima facie tax on profit before income tax is reconciled to the income tax expense as follows: | | |
| Prima facie tax on profit before income tax at 30% | 18,105 | 90,505 |
| Add tax effect of: | | |
| - Non-deductible expenses | 4,679 | (495) |
| <i>Current income tax expense</i> | <u>22,784</u> | <u>90,010</u> |
| Income tax expense | <u>22,784</u> | <u>90,010</u> |
| Tax liabilities / assets | | |
| Current tax refundable | <u>49,447</u> | <u>-</u> |
| Current tax payable | <u>-</u> | <u>19,825</u> |

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Notes to the Financial Statements
for the year ended 30 June 2006

| | 2006 | 2005 |
|--|-----------------|-----------------|
| | \$ | \$ |
| 5. Auditors' Remuneration | | |
| Amounts received or due and receivable by Richmond, Sinnott & Delahunty for: | | |
| - Audit or review of the financial report of the company | <u>3,650</u> | <u>3,650</u> |
| 6. Cash Assets | | |
| Cash at bank and on hand | <u>337,133</u> | <u>694,323</u> |
| 7. Receivables | | |
| Commission receivable | <u>73,246</u> | <u>62,761</u> |
| 8. Property, Plant and Equipment | | |
| <i>Plant and equipment</i> | | |
| At cost | 61,329 | 27,345 |
| Less accumulated depreciation | <u>(18,827)</u> | <u>(15,249)</u> |
| | <u>42,502</u> | <u>12,096</u> |
| <i>Furniture and fittings</i> | | |
| At cost | 32,240 | 33,872 |
| Less accumulated depreciation | <u>(14,149)</u> | <u>(16,271)</u> |
| | <u>18,091</u> | <u>17,601</u> |
| <i>Land</i> | | |
| At cost | 200,000 | - |
| | <u>200,000</u> | <u>-</u> |
| <i>Buildings</i> | | |
| At cost | 328,202 | - |
| Less accumulated depreciation | <u>-</u> | <u>-</u> |
| | <u>328,202</u> | <u>-</u> |
| Total written down amount | <u>588,795</u> | <u>29,697</u> |

Warburton Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

| 8. Property, Plant and Equipment (continued) | 2006 | 2005 |
|---|----------------|---------------|
| | \$ | \$ |
| Movements in carrying amounts | | |
| <i>Plant and equipment</i> | | |
| Carrying amount at beginning of year | 12,096 | 12,551 |
| Additions | 33,984 | 1,658 |
| Depreciation expense | (3,578) | (2,113) |
| Carrying amount at end of year | <u>42,502</u> | <u>12,096</u> |
| <i>Furniture and fittings</i> | | |
| Carrying amount at beginning of year | 17,601 | 19,876 |
| Additions | 4,228 | - |
| Loss on disposals | (1,565) | - |
| Depreciation expense | (2,173) | (2,275) |
| Carrying amount at end of year | <u>18,091</u> | <u>17,601</u> |
| <i>Motor vehicle</i> | | |
| Carrying amount at beginning of year | - | 28,684 |
| Disposals | - | (25,219) |
| Loss on disposals | - | 1,306 |
| Depreciation expense | - | (4,771) |
| Carrying amount at end of year | <u>-</u> | <u>-</u> |
| <i>Land</i> | | |
| Carrying amount at beginning of year | - | - |
| Additions | 200,000 | - |
| Carrying amount at end of year | <u>200,000</u> | <u>-</u> |
| <i>Buildings</i> | | |
| Carrying amount at beginning of year | - | - |
| Additions | 328,202 | - |
| Carrying amount at end of year | <u>328,202</u> | <u>-</u> |

Warburton Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

| | 2006 | 2005 |
|---|---------------------|---------------------|
| | \$ | \$ |
| 9. Intangible Assets | | |
| <i>Franchise Fee</i> | | |
| At cost | 10,000 | 10,000 |
| Less accumulated amortisation | <u>(2,834)</u> | <u>(834)</u> |
| | <u>7,166</u> | <u>9,166</u> |
| <i>Preliminary Expenses</i> | | |
| At cost | 980 | 980 |
| Less accumulated amortisation | <u>(539)</u> | <u>(441)</u> |
| | <u>441</u> | <u>539</u> |
| | <u><u>7,607</u></u> | <u><u>9,705</u></u> |
| 10. Payables | | |
| Trade creditors | <u>57,321</u> | <u>39,139</u> |
| 11. Interest Bearing Liabilities | | |
| <i>Current</i> | | |
| Secured loans | | |
| - Plant & Equipment | 7,382 | - |
| - Land & Buildings | <u>59,488</u> | <u>-</u> |
| | <u>66,870</u> | <u>-</u> |
| <i>Non-Current</i> | | |
| Secured loans | | |
| - Land & Buildings | <u>179,473</u> | <u>-</u> |
| <p>The Plant & Equipment loan was secured by a charge over the assets for which the loan was incurred. Interest is not payable on this loan. The Land & Buildings loan was secured by a charge over the freehold title for which the loan was incurred. Interest is recognised at an average rate of 7.2% (2005: n/a) .</p> | | |
| 12. Provisions | | |
| Employee benefits | <u>28,020</u> | <u>14,424</u> |
| Number of employees at year end | <u>8</u> | <u>5</u> |
| 13. Share Capital | | |
| 400,000 Ordinary Shares fully paid of \$1 each | <u>400,000</u> | <u>400,000</u> |

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| 14. Retained Earnings | 2006 | 2005 |
|--|----------------|----------------|
| | \$ | \$ |
| Balance at the beginning of the financial year | 323,068 | 147,394 |
| Profit after income tax | 37,566 | 211,674 |
| Dividends | (36,000) | (36,000) |
| Balance at the end of the financial year | <u>324,634</u> | <u>323,068</u> |

15. Cash Flow Statement

(a) Reconciliation of cash

| | | |
|-------------|----------------|----------------|
| Cash assets | <u>337,133</u> | <u>694,323</u> |
|-------------|----------------|----------------|

**(b) Reconciliation of profit after tax to
net cash provided from/(used in) operating activities**

| | | |
|---|----------------|----------------|
| Profit after income tax | 37,566 | 211,674 |
| Non cash items | | |
| - Depreciation | 5,751 | 9,159 |
| - Loss (profit) on disposal of plant and equipment | 1,565 | (1,306) |
| - Amortisation | 2,098 | 6,765 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (10,485) | (1,907) |
| - (Increase) decrease in prepayments | - | 6,653 |
| - Increase (decrease) in payables | (51,210) | (4,594) |
| - Increase (decrease) in provisions | 13,596 | (8,317) |
| Net cashflows from / (used in) operating activities | <u>(1,119)</u> | <u>218,127</u> |

16. Director and Related Party Disclosures

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

Mr G M Vickers
Mr R J Murray
Mr R V Musgrove (Resigned 30 June 2006)
Mr B Berry
Ms C L Fitzpatrick
Mr M Magee
Mrs R L Chisholm (Resigned 8 February 2006)
Mr L G Corallo
Ms E R Fox (Appointed 6 March 2006)
Mr L B Marshall (Appointed 6 March 2006)
Mr R J Woods (Appointed 6 March 2006)
Mr R McKail (Appointed 1 May 2006)

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16. Director and Related Party Disclosures (continued)

No director or related entity has entered into a material contract with the company. Other than stated below no director's fees have been paid as the positions are held on a voluntary basis.

| Directors shareholdings | 2006 | 2005 |
|---|-------------|-------------|
| Mr G M Vickers | 500 | 500 |
| Mr R J Murray | 990 | 990 |
| Mr R V Musgrove (Resigned 30 June 2006) | - | - |
| Mr B Berry | 2,000 | 1,000 |
| Ms C L Fitzpatrick | 100 | 100 |
| Mr M Magee | 2,000 | 2,000 |
| Mrs R L Chisholm (Resigned 8 February 2006) | 5,000 | 5,000 |
| Mr L G Corallo | 1,000 | 1,000 |
| Ms E R Fox (Appointed 6 March 2006) | - | - |
| Mr L B Marshall (Appointed 6 March 2006) | - | - |
| Mr R J Woods (Appointed 6 March 2006) | - | - |
| Mr R McKail (Appointed 1 May 2006) | - | - |
| <i>B Berry</i> | | |
| Shares held at beginning of financial year | 1,000 | 1,000 |
| Shares purchased | 1,000 | - |
| Shares sold | - | - |
| Shares held at end of financial year | 2,000 | 1,000 |

Other than stated above there was no movement in directors shareholdings during the year. Each share held is valued at \$1 and is fully paid. The above holdings are held personally or in associated entities.

Executive Remuneration

| | <u>Primary</u> <u>Benefits</u> Salary & Fees \$ | <u>Post</u> <u>Employment</u> Superannuation \$ | <u>Other</u> \$ | <u>Total</u> \$ |
|--------------------------------------|--|--|--------------------|--------------------|
| Mick Spruhan (Branch Manager) | | | | |
| 2006 | - | - | - | - |
| 2005 | 76,891 | 5,052 | 110 | 82,053 |
| Darren Pennington (Branch Manager) | | | | |
| 2006 | 61,250 | 5,512 | 233 | 66,995 |
| 2005 | - | - | - | - |
| Geoffrey Vickers (Company Secretary) | | | | |
| 2006 | 23,836 | 1,864 | - | 25,700 |
| 2005 | 4,069 | - | - | 4,069 |

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17. Subsequent Events

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

18. Contingent Liabilities

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

19. 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 Warburton, Victoria.

20. Corporate Information

Warburton Community Financial Services Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is:

3399 Warburton Highway
Warburton VIC 3799

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| 21. Dividends paid or provided for on ordinary shares | 2006 | 2005 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| (a) Dividends paid during the year | | |
| Previous year final | | |
| Franked dividends - 9 cents per share (2005: 9 cents franked per share) | 36,000 | 36,000 |
| (b) Dividends proposed and not recognised as a liability | | |
| Franked dividends - 9 cents per share (2005: 9 cents per share) | 36,000 | 36,000 |
| (c) Franking credit balance | | |
| The amount of franking credits available for the subsequent financial year are: | | |
| - Franking account balance as at the end of the financial year at 30% | 253,397 | 176,769 |
| - Franking credits that will arise from the payment of income tax payable as at the end of the financial year | - | 19,825 |
| - Franking debits that will arise from the refund of income tax as at the end of the financial year | <u>(49,447)</u> | <u>-</u> |
| | <u><u>203,950</u></u> | <u><u>196,594</u></u> |

The tax rate at which dividends have been franked is 30% (2005: 30%).
Dividends proposed will be franked at a rate of 30% (2005: 30%).

22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

| | | |
|---|----------------|----------------|
| Profit after income tax expense | <u>37,566</u> | <u>211,674</u> |
| Weighted average number of ordinary shares for basic and diluted earnings per share | <u>400,000</u> | <u>400,000</u> |

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23. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The company does not have any unrecognised financial instruments at 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 Balance Sheet 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 | | Fixed Interest Rate maturing in | | | | | | Non Interest Bearing | | Weighted average Effective interest rate | |
|------------------------------|------------------------|---------|---------------------------------|---------|-------------------|---------|--------------|---------|----------------------|---------|--|--------|
| | | | 1 year or less | | Over 1 to 5 years | | Over 5 years | | | | | |
| | 2006 \$ | 2005 \$ | 2006 \$ | 2005 \$ | 2006 \$ | 2005 \$ | 2006 \$ | 2005 \$ | 2006 \$ | 2005 \$ | 2006 % | 2005 % |
| Financial Assets | | | | | | | | | | | | |
| Cash assets | 25,936 | 65,468 | - | - | - | - | - | - | - | - | 4.00 | 3.75 |
| Term deposit | 311,123 | 628,835 | - | - | - | - | - | - | - | - | 5.55 | 5.20 |
| Receivables | - | - | - | - | - | - | - | - | 73,246 | 62,761 | N/A | N/A |
| | | | | | | | | | | | | |
| Financial Liabilities | | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | 57,231 | 39,169 | N/A | N/A |
| Non Int Bearing Liabilities | - | - | - | - | - | - | - | - | 7,382 | - | N/A | N/A |
| Interest Bearing Liabilities | 238,961 | - | - | - | - | - | - | - | - | - | 7.20 | N/A |

Warburton Community Financial Services Limited
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Directors Declaration

In accordance with a resolution of the directors of Warburton Community Financial Services Limited,
I 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 their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2006.

Baden Berry, Chairman

Signed at Warburton, Victoria on 11 September 2006.