

2006
annualreport

Berowra & District
Financial Services Limited
ABN 62 116 755 938

Berowra & District
Community Bank[®] Branch **Bendigo Bank**





Berowra & District **Community Bank**[®] Branch
Shop 9, 1C Turner Road, Berowra Heights, NSW 2082
Phone: (02) 9456 2265

Franchisee: Berowra & District Financial Services Limited
Shop 9, 1C Turner Road, Berowra Heights, NSW 2082
Phone: (02) 9456 2265
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www.bendigobank.com.au
Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879 (BMPAR3058) (10/06)

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Chairman's report

For year ending 30 June 2006

It is my pleasure to report on the performance of Berowra & District Financial Services Limited (BDFSL) during its initial part year of operation ended 30 June 2006. The Company was incorporated on 19 October 2005.

This document is our first Annual Report relating to a period before our bank branch was opened for business. With the opening of Berowra & District **Community Bank**[®] Branch of Bendigo Bank on 22 September 2006, I would like to reflect on some of the accomplishments that allowed us to attain this goal for Berowra and district.

It is said that from small beginnings great things grow. From an initial meeting in November 2004, 12 local residents expressed interest in working towards the establishment of a bank branch, owned and operated by local residents. From this humble beginning and with outstanding support from the district community and the voluntary commitment from a steering committee that eventually became the Board of Directors of BDFSL, the feasibility of this opportunity was studied and tested.

With the registration of our local Company in October 2005, a Prospectus for Shares was lodged with the Australian Securities and Investments Commission in January 2006. An almost unprecedented acceptance of this prospectus resulted in the minimum subscription being achieved in six weeks. This was the best possible indication to Bendigo Bank that a bank branch would be supported in our district and reinforced what the Steering Committee believed and had worked towards.

A franchise to operate a **Community Bank**[®] Branch of Bendigo Bank was acquired, with over \$700,000 in share capital being raised from local Shareholders to fund the development of our branch.

Our achievements, including the feasibility study, financial evaluation, business plan, approval by Bendigo Bank, incorporation of BDFSL, prospectus and meeting all related corporate and regulatory obligations assure me that we have prepared and planned well for the successful operation of our **Community Bank**[®] Branch.

As reported in the feasibility study and prospectus, our Company anticipates an operating loss for the first two years due to establishment costs and the ramp up of business. Results to date are in accordance with forecasts.

We are especially grateful to the **Community Bank**[®] branches at Turramurra, Galston and North Ryde who have assisted us in holding our local customers' accounts pending the opening of our branch. Other **Community Bank**[®] Companies and branches throughout Australia have also provided advice and support in achieving our goals. With this support, we built a business portfolio at 30 June 2006 exceeding \$1.5 million.

I thank my fellow Directors of BDFSL for the enormous effort that has been necessary to achieve our goals and I know it takes special people to see things through to completion.

Chairman's report continued

I would also like to thank Bendigo Bank Limited for the ongoing support and guidance provided, especially from our Community Development Manager Mr Michael Wood, State Manager Mr Greg Spencer and their respective teams.

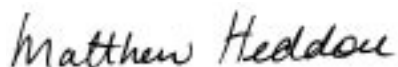
As the branch was not open and operational prior to the 30 June 2006, this Annual Report does not contain a report by our Branch Manager, Mr Graeme Kurtz.

Where to now?

As Shareholders, it is in all of our interests to support the branch. The feasibility study returned a strong business case that was published in the prospectus. If we all, as Shareholders, support our branch by opening and operating accounts, we will more quickly return benefits to Shareholders via dividends. We will also be able to financially assist our community by supporting deserving community projects.

As we move forward, there are many ancillary benefits that come from having a **Community Bank**[®] Branch. The district that we serve will see these benefits in future.

However, it all has to start with business on the books and Graeme Kurtz and his staff can show you what real service is like. So whether you are young or old, a mortgagee or a cash depositor, a first home buyer or a retiree, Graeme will be able to help you. Service is something you may not be used to in these 'self service' modern days, but we ask you to make a conscience effort and visit the branch or make an appointment with Graeme to see how we can all benefit from our jointly owned business.



Matthew Heddou

Chairman

Directors' report

For year ending 30 June 2006

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:

Matthew John Heddou

Chairman

Age: 37

Occupation: Money Market Dealer

Experience & Expertise: Actively manage the Australian Balance Sheet, Executive Director

Societe Generale, Lecturer at Securities

Institute of Australia

Special Responsibilities: Chairman of the Board

Interests in shares: 5,000 Ordinary Shares

Michael Patrick Kells

Treasurer

Age: 63

Semi Retired Accountant

Financial Accounting Manager (Systems/Projects)

F CPA Australia

Graduate Diploma Finance

Finance & Due Diligence Sub Committees

Interests in shares: 2,000 Ordinary Shares

Gregory Nugent Baxter

Secretary

Age: 52

Facilities Manager

Bachelor of Business, Corporate Business Manager

Company Secretary

Finance & Due Diligence Sub Committees

Interests in shares: 6,000 Ordinary Shares

Keith Alexander De Cressac

Director

Age: 63

Retired Owner-Operator Taxi Driver

Management Certificate, 24 years Australian

Gaslight Company, Owner/Operator Taxi Driver

Marketing Sub Committee

Interests in shares: 5,000 Ordinary Shares

Stephen Green

Director

Age: 48

Self Employed Businessman

20 years Food Industry Sales Management/Business

Development

Marketing Sub Committee

Interests in shares: 1,500 Ordinary Shares

Christine Kaye Whyte

Director

Age: 55

Retired Medical Secretary

Business Management Retail sector

20 years Medical Secretary

Marketing & Human Resources Sub Committees

Interests in shares: 5,000 Ordinary Shares

Directors' report continued

George Vincent Hughes

Director

Age: 66

Semi Retired Consultant

25 years experience in domestic and international operational and strategic management roles in

commercial, government and not for profit

organisations. Finance & Due Diligence

Sub Committees

Interests in shares: 4,000 Ordinary Shares

Andrew John Fenwick

Director (Appointed 17 April 2006)

Age: 44

Management Marina operations

20 yrs Management Fenwick's Marina Brooklyn

Human Resources Sub Committee

Interests in shares: 10,000 Ordinary Shares

Bernard Charles Rourke

Director (Resigned 28 March 2006)

Age: 44

Managing Director

Interests in shares: 1 Ordinary Share

Barry John Palmer

Director

Age: 64

Self Employed Real Estate Agent

2 years International Board for Lions Club

Human Resources Sub Committee

Interests in shares: 10,001 Ordinary Shares

Richard Lawrence Cronin

Director (Resigned 20 March 2006)

Age: 57

Businessman

Interests in shares: 1 Ordinary Shares

Directors were in office since 19 October 2005 unless otherwise stated.

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

Company Secretary

The Company Secretary is Gregory Nugent Baxter. He was appointed to the position of Secretary on 19 October 2005. Greg's career has spanned 30 years in the international telecommunications industry. He has extensive experience in sales, marketing, product development corporate affairs and business planning. He has a Bachelor of Business (Accounting).

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.

Directors' report continued

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
30 June 2006
\$

(91,972)

Remuneration report

All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

The Branch Manager attends all Board meetings and presents a full report to the Board of Directors.

The Branch Manager advises the Directors on a number of issues but does not have any voting rights.

The Branch Manager is a member of two sub-committees:

- (i) Human resource
- (ii) Marketing

The Branch Manager, Graeme Kurtz started with the entity during April 2006 and was paid between \$10,000 - \$20,000 for that period.

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.

Matters subsequent to the end of the financial year

The Company has leased Branch premises at Berowra Village Centre in Turner Road, tendering has been completed and these premises are currently being fitted out. The Branch Manager, Graeme Kurtz was employed in April 2006 and the new branch will be open for business on 22 September 2006.

There are no other 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' report continued

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.

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:

	Number of Board meetings eligible to attend	Number attended
Matthew Heddou	24	24
Keith De Cressac	24	21
Gregory Baxter	24	24
Christine Whyte	24	21
Stephen Green	24	15
Barry Palmer	24	9
George Hughes	24	21
Michael Kells	24	20
Richard Cronin (Resigned 20 March 2006)	15	9
Bernard Rourke (Resigned 28 March 2006)	16	3
Andrew Fenwick (Appointed 17 April 2006)	8	7

Directors' report continued

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.

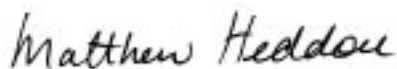
The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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.

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 26.

Signed in accordance with a resolution of the Board of Directors at Berowra, New South Wales on 6 September 2006.



Matthew John Heddou
Chairman



Michael Patrick Kells
Treasurer

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$
Revenues from ordinary activities	3	11,227
Salaries and employee benefits expense		(129,208)
Advertising and promotion expenses		(1,651)
General administration expenses		(13,093)
Loss from ordinary activities before income tax credit		(132,725)
Income tax credit	4	40,753
Loss from ordinary activities after income tax credit		(91,972)
Loss attributable to members of Berowra & District Financial Services Limited		(91,972)
Earnings per share (cents per share)		
- basic for profit for the year	15	(12.75)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$
Current assets		
Cash assets	5	556,559
Total current assets		556,559
Non-current assets		
Intangibles	6	10,000
Deferred tax assets	7	40,753
Total non-current assets		50,753
Total assets		607,312
Current liabilities		
Trade and other payables	8	7,134
Provisions	9	1,613
Total current liabilities		8,747
Total liabilities		8,747
Net assets		598,565
Equity		
Contributed equity	10	690,537
Accumulated losses	11	(91,972)
Total equity		598,565

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 \$
Total equity at the beginning of the financial year		-
Net loss for the year		(91,972)
Net income/expense recognised directly in equity		-
Dividends provided for or paid		-
Shares issued during period		721,351
Equity raising costs during period		(30,814)
Total equity at the end of the financial year		598,565

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$
Cash flows from operating activities		
Cash received from customers		2,692
Cash paid to suppliers and employees		(134,476)
Interest received		7,806
Net outflows from operating activities	12(b)	(123,978)
Cash flows from investing activities		
Payment for intangible assets		(10,000)
Net cash outflows from investing activities		(10,000)
Cash flows from financing activities		
Proceeds of share issues		721,351
Payment of share issue costs		(30,814)
Net cash inflows from financing activities		690,537
Net increase in cash held		556,559
Cash at the beginning of the financial year		-
Cash at the end of the financial year	12(a)	556,559

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 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 Berowra & District Financial Services Limited financial statements and also the first 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.

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).

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

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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.

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 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.

Comparative figures

Comparatives have not been provided as the Company had not commenced operations during the year ending 30 June 2005.

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

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.

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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.

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.

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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.

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.

Notes to financial statements continued

2006
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Note 3: Revenue from ordinary activities

Operating activities:

- services commissions	729
- other revenue	2,692
Total revenue from operating activities	3,421

Non-operating activities:

- interest received	7,806
Total revenue from non-operating activities	7,806
Total revenues from ordinary activities	11,227

Note 4: Income tax expense

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

Operating loss	(132,725)
Prima facie tax on loss from ordinary operations at 30%	(39,817)
Add tax effect of:	
- non-deductible expenses	(936)
Income tax expense on operating loss	(40,753)

Note 5: Cash assets

Cash at bank and on hand	51,306
Term Deposits	505,253
	556,559

Note 6: Intangible assets

Franchise fee

At cost	10,000
Less: accumulated amortisation	-
	10,000

Notes to financial statements continued

2006

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Note 7: Deferred tax benefit

Future income tax benefit

Tax losses - revenue	40,753
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Note 8: Trade and other payables

Trade creditors	4,534
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Other creditors & accruals	2,600
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7,134

Note 9: Provisions

Employee provisions	1,613
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Number of employees at year end	1
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Note 10: Contributed equity

721,351 Ordinary shares fully paid of \$1 each	721,351
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Less: equity raising expenses	(30,814)
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690,537

Note 11: Accumulated losses

Balance at the beginning of the financial year	-
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Net loss from ordinary activities after income tax	(91,972)
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Dividends paid	-
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Balance at the end of the financial year	(91,972)
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Notes to financial statements continued

2006
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Note 12: Statement of cashflows

(a) Reconciliation of cash

Cash at bank and on hand	51,306
Term deposit	505,253
	556,559

(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	(91,972)
Non cash items:	
- depreciation	-
- amortisation	-
Changes in assets and liabilities:	
- (increase)/decrease in receivables	-
- (increase)/decrease in other assets	(40,753)
- increase/(decrease) in payables	7,134
- increase/(decrease) in provisions	1,613
Net cashflows used in operating activities	(123,978)

Note 13: Auditors' remuneration

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

- audit & review services	2,600
- other services in relation to the Company	3,205
	5,805

Notes to financial statements continued

Note 14: Director and Related party disclosures

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

Matthew John Heddou
Keith Alexander De Cressac
Gregory Nugent Baxter
Christine Kaye Whyte
Stephen Green
Barry John Palmer
George Vincent Hughes
Richard Lawrence Cronin
Michael Patrick Kells
Bernard Charles Rourke
Andrew John Fenwick

The Company made payments of \$1,650 to Michael Patrick Kells for services in his role as external accountant performing all bookkeeping, liaising with and lodgement of all ASIC forms, liaising with and lodgement of ATO Activity Statements and all other accounting requirements.

No other 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.

Directors shareholdings	2006
Matthew John Heddou	5,000
Keith Alexander De Cressac	5,000
Gregory Nugent Baxter	6,000
Christine Kaye Whyte	5,000
Stephen Green	1,500
Barry John Palmer	10,001
George Vincent Hughes	4,000
Richard Lawrence Cronin	1
Michael Patrick Kells	2,000
Bernard Charles Rourke	1
Andrew John Fenwick	10,000

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

Notes to financial statements continued

2006

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Note 15: Earnings per Share

Losses per share for the financial year were:

(13)

Note 16: Reconciliation and 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.

Note 17: Subsequent events

The Company has leased Branch premises at Berowra Village Centre in Turner Road, tendering has been completed and these premises are currently being fitted out. The Branch Manager, Graeme Kurtz was employed in April 2006 and the new branch will be open for business on 22 September 2006.

Note 18: Contingent liabilities

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

Note 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 Berowra and surrounding districts of New South Wales.

Notes to financial statements continued

Note 20: Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
193 Pacific Highway, Hornsby, NSW 2077	Shop 9 Berowra Village Centre, 1C Turner Road, Berowra Heights, NSW 2082

Note 21: 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	Fixed interest rate maturing in				Non Interest bearing	Weighted average effective interest rate
	Floating interest rate	1 year or less	Over 1 to 5 years	Over 5 years		
	2006 \$	2006 \$	2006 \$	2006 \$		

Financial assets

Cash assets	51,306	-	-	-	-	.05
Term deposit	-	505,253	-	-	-	5.7
Receivables	-	-	-	-	-	N/A
Financial liabilities						
Payables	-	-	-	-	7,134	N/A

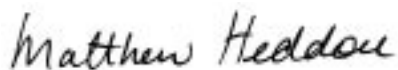
Directors' declaration

In accordance with a resolution of the Directors of Berowra & District 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.



Matthew John Heddou
Chairman



Michael Patrick Kells
Treasurer

Signed on the 6 of September 2006.

Independent audit report



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INDEPENDENT AUDIT REPORT

To the members of Berowra & District 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 Berowra & District 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 Berowra & District 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 13th day of September 2006

Auditor's independence declaration



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As lead Auditor for the audit of Berowra & District Financial Services Limited for the year ended 30 June 2006, 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 Berowra & District Financial Services Limited.

David Hutchings
Auditor Partner

Andrew Frewin & Stewart

Bendigo

6 September 2006

BSX report

Additional information required by Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 2 October 2006.

1. Corporate governance statement

The Board guides and monitors the business affairs on behalf of the Shareholders to whom they are accountable.

The Board recognises the importance of a strong governance focus and methodology. The Board has compiled policies and procedures that will govern our Company into the future. We believe that building a policy framework will assist us to clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

2. Substantial Shareholders – ten largest Shareholders (by certificate number)

	Ordinary Shares	Percentage of ordinary Shares
Hammerhead Investments Pty Ltd	40,000	5.55%
Andrew Tuft OAM	25,000	3.47%
Bruce & Shirley Notting	25,000	3.47%
Janelle & Michael Marr	15,000	2.08%
John & Carmen Stavert	15,000	2.08%
Jane & Michael Maroney	10,000	1.39%
Genevieve Funk	10,000	1.39%
Barstead Pty Ltd	10,000	1.39%
William & Judith Sharpe	10,000	1.39%
Esamar Pty Ltd	10,000	1.39%

3. Voting rights

Each Shareholder has one vote.

BSX report continued

4. Distribution of Shareholders

The number of Shareholders, by range of holding:

	Ordinary shares	
	Shareholders	Number of shares
1 – 1,000	217	163,751
1,001 – 5,000	121	347,600
5,001 – 10,000	10	90,000
10,001 – 100,000	5	120,000
100,001 and over	0	0
Total holders	353	721,351

There is 1 Shareholder holding less than a marketable parcel of shares.

5. Monitoring the Board's performance and communication with Shareholders

In order to ensure the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Any Director, whose performance is considered unsatisfactory, is asked to retire.

The Board's aim is to ensure that Shareholders are provided all information necessary to assess the performance of the Directors.

The Board has an Audit and Governance Committee.

6. Address and telephone number of the office where the securities register is kept

Bendigo Bank Limited

Share Registry Office

Fountain Court

Bendigo, Victoria

Telephone: (03) 5433 9339