

SARINA AND DISTRICT COMMUNITY  
FINANCIAL SERVICES LIMITED

ABN 28 112 407 182

2005  
**Annual**  
Report



# Contents

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# Chairperson's report

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For year ending 30 June 2005

Our first-ever Annual Report is another significant milestone in our Company's development. Please bear in mind that this report covers the trading period from Branch opening on 8 June 2005 to 30 June 2005 - just 16 trading days. Moreover, our Company, Sarina and District Community Financial Services Limited only came into being in January 2005.

I would like to pay tribute to the tremendous support we have received from the community and in particular the dedicated and hard working band of people on the Steering Committee who gathered this support in the form of pledges exceeding \$750,000. It was from these ranks that our Company Directors emerged, late in 2004, to take on the challenge of forming our Company. May I stress, that when I use the word "our" as in "our Company", "our" refers to the collective of all 400 Shareholders, not just the Directors. I believe that we can be very proud of all of our efforts.

I would like to acknowledge the vital role played by Sarina Shire Council in providing an interest free loan to the Steering Committee. This loan met the cost of engaging an independent accounting firm that conducted our feasibility study last November.

Events moved quickly from that point due to the unremitting efforts, hard work and diligence of the Steering Committee who were also busy preparing a comprehensive business plan to submit to Bendigo Bank along with the results of the feasibility study. We received the good news on Christmas Eve that Bendigo Bank was prepared to offer us a franchise agreement.

We were able to complete the legal processes of forming the Company, registering with ASIC, training the Directors in their legal obligations, preparing the prospectus and having it printed and delivered in record time. We launched the prospectus on time on 23 February with \$140,000 of share applications being received on launch night. This was a wonderful demonstration of community support and prompted us to target an opening date in June 2005.

In the three months to opening, we had to:

- Continue to promote the share offering to reach a minimum capitalisation of \$590,000 before we could commence trading,
- Complete arrangements for listing on the Bendigo Stock exchange,
- Advertise for premises and staff,
- Conduct staff interviews and selection processes,

## Chairperson's report continued

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- Negotiate a lease for premises and then draw up plans for refurbishment and fit-out. Redesign was necessary to contain costs to our budgeted amount,
- Begin building the banking business by encouraging the public to open accounts in Mackay that would be redomiciled to Sarina on opening. This was very successful with over \$3,000,000 of business before we opened,
- Conduct staff training through Bendigo Bank,
- Arrange an appropriate public celebration to open our branch,
- Continue the training and development of the Directors.

Again, I need to pay tribute to the dedication and efforts of my fellow Directors. They have risen to every challenge and have selflessly devoted themselves to a project in which satisfaction derives from benefits accruing to our community. Their desire, and mine, is for our Company composed of 400 Shareholders to reach profitability as soon as possible. To do this we need to engage support from all sectors of the community in the full variety of banking services and products.

Our banking partner, Bendigo Bank, has been our guide and mentor throughout a long and exacting process. They have demonstrated complete integrity and professionalism as well as a warm and supportive human face. Bendigo Bank is different in a good way. It is customer centered and community centered as a way of doing business.

Our staff are exceptional by their helpfulness and friendliness and have fully engaged in developing the business. They have been busy from the outset. We soon needed to install a third terminal to cope with the number of accounts being opened. They have been persistent and cheerful in dealing with any of the minor glitches associated with any new enterprise and have maintained an unwavering customer focus.

Thank you for making your time available to attend our first Annual General Meeting. Your continued support is essential to the growth of our business.



**Ralph Johnson**  
**Chairman**

# Bendigo Bank Ltd report

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Today, more than 150 communities are running their own Community Bank® branch. The Community Bank® brand is represented in a diverse range of communities. From your own community here in Sarina, to communities such as Queenstown in Tasmania, Paradise Point on the Gold Coast, the Perth suburb of Gosnells, the NSW town of Narrandera and the Melbourne suburb of Flemington. All of these communities have one thing in common – a commitment to not only ensuring access to banking services, but a focus on sharing the profits of their business to the wider community.

When we first launched this banking model in 1998, it was to fill a gap in rural communities, where banks were withdrawing their services.

In 2005, you will very rarely read a media story about a community up in arms about a bank branch closure. The closures have literally dried up.

However, you will continue to read about communities undertaking a Community Bank® campaign, and more often than not, in a metropolitan suburb. At least once a fortnight, somewhere in Australia a community is celebrating the opening of the doors to their Community Bank® branch. There is no indication that this growth is slowing.

We are proud to be able to say that these communities are now returning more than simply banking services. Some of the statistics are very impressive.

- Communities have received \$159 million in revenue paid to them by Bendigo Bank, \$61 million of this in the past 12 months.
- More than 11,000 community shareholders have received dividends totalling almost \$3 million.
- Local Boards have paid out more than \$3 million in sponsorships, donations and contributions.
- In 2004/2005, communities spent \$27.3 million in their communities on wages, rent, accounting, cleaning and so on. Given a multiplier effect of three, this means branches inject nearly \$82 million into their communities every year.

These are significant numbers. They represent the hard work and dedication of communities like yours to help themselves. It also reinforces the commitment of Bendigo Bank to partner and work with communities.

You will often hear us say, “successful customers and successful communities create a successful bank, and in that order”. The figures above, which are impressive in themselves but which continue to grow, are proof that this strategy is working for communities across Australia, as well as for our Company.

That’s not to say this is an easy journey for Bendigo Bank, or for your community. It’s not. However, while we continue to follow through with our promises of providing a superior customer service experience and distributing profits to communities, both in dividends to shareholders and community projects and organisations, we will all continue to be successful.

Bendigo Bank is proud to partner Sarina and District Community Financial Services Limited and congratulates you on a great year. You are a fabulous example of a community willing to work together to achieve great things and we are proud to continue to work with you.



**Tammy White**  
**Relationship Manager**  
**Bendigo Bank**

# Directors' report 30 June 2005

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Your Directors submit the financial report of the Company for the financial year ended 30 June 2005.

Directors

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

**Ralph Godschall Johnson**

Chairman, Director

Age:50

Occupation Deputy Principal Sarina State High School  
Has resided in Sarina since 1991. Extensive involvement with the community through Rotary and other organisations.

**Joseph David Bartolo**

Director

Age: 55

Occupation Account Manager  
Lived and worked in Sarina for 37 years. Extensive experience in business and agriculture. Broad community involvement through Lions.

**Robin Pitcher**

Director

Age: 68

Occupation Retired/ Overseer Sarina Shire Council  
Life long resident of Sarina. Local government overseer of works and works manager.

**Peter John Smith**

Director

Age: 69

Occupation Retired / Retail Operator  
Life long resident of Sarina. Forty years in retail business. Extensive personal links in local business community.

**Gloria Jean Johns**

Director

Age: 55

Occupation Home Duties  
Resident of Sarina 20 years. Extensive community involvement.

**Lesley Christine Ward**

Director & Company Secretary

Age: 55

Occupation Owner manager of a local Jewellery business.  
Resident of Sarina more than 10 years with extensive community voluntary work.

**Rodney David Nunn**

Director & Company Treasurer

Age: 60

Occupation Retired ex Queensland public service  
Extensive experience in Public Service in the area of commercial law and accounting.

**Bruce McDonald Fitzgerald**

Director

Age: 58

Occupation Train Driver for Queensland Rail  
Resident of Sarina 34 years. Construction industry experience. Broad community involvement

**Kenneth John Wedel**

Director

Age: 41

Occupation Former Business Proprietor  
Fifteen years rural business management.  
Broad community involvement. Resident of district for thirty years.

**Gerard Stanley** (Resigned 10 May 2005)

Director

Age: 26

Occupation Property Investor  
Editor of local paper and property investor.  
Director resigned 10 May 2005.

# Directors' report 30 June 2005 continued

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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 Lesley Christine Ward. She was appointed to the position of secretary on 14 January 2005. Lesley has extensive experience in retail management.

## **Principal activities**

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

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

## **Operating results**

The Company commenced trading during the year. The loss of the Company for the financial year after provision for income tax was \$48,355. This predominantly represents the incurring of start up costs

## **Remuneration report**

All Directors are acting in a voluntary capacity and have received no remuneration.

The branch opened with a manager on loan from Bendigo Bank and no substantive manager position had been filled at 30 June 2005.

## **Dividends**

No dividends were declared or paid during the 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.

## **Significant events after the balance date**

The Company opened its Community Bank® branch of Bendigo Bank on 8 June 2005. Business continues to grow in line with expectations.

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' report 30 June 2005 continued

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## 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
Ralph Godschall Johnson	21	19
Lesley Christine Ward	21	19
Rodney David Nunn	21	20
Joseph David Bartolo	21	15
Bruce McDonald Fitzgerald	21	20
Robin Pitcher	21	18
Peter John Smith	21	21
Kenneth John Wedel	21	17
Gloria Jean Johns	21	10
Gerard Stanley (Resigned 10 May 2005)	14	5



# Directors' report 30 June 2005 continued

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## **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 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 Board 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.

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

Signed in accordance with a resolution of the Board of Directors at Sarina on 15th September 2005.



**Ralph Godschall Johnson**  
Chairman



**Rodney David Nunn**  
Director

# Financial statements

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## Statement of financial performance

For year ending 30 June 2005

	Note	2005 \$
Revenues from ordinary activities	2	1,582
<hr/>		
General administration expenses		(14,618)
Salaries and employee benefits expense		(51,283)
Occupancy and associated costs		(1,958)
Systems costs		(1,728)
Depreciation and amortisation expense	3	(1,370)
Borrowing cost expense	3	-
<hr/>		
Loss from ordinary activities before income tax credit		(69,375)
<hr/>		
Income tax credit relating to ordinary activities	4	21,020
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Loss from ordinary activities after income tax credit		(48,355)
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Total changes in equity other than those resulting from transactions with owners as owners		(48,355)

# Financial statements continued

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## Statement of financial position

As at 30 June 2005

	Note	2005 \$
<b>CURRENT ASSETS</b>		
Cash assets	5	263,993
Receivables	6	65,486
Total current assets		329,479
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	7	184,692
Intangibles	8	59,310
Deferred tax assets	9	21,020
Total non-current assets		265,021
Total assets		594,500
<b>CURRENT LIABILITIES</b>		
Payables	10	28,006
Total current liabilities		28,006
<b>NON CURRENT LIABILITIES</b>		
Non interest bearing liabilities	11	11,432
Total non current liabilities		11,432
Total liabilities		39,438
Net assets		555,063
<b>EQUITY</b>		
Contributed equity	13	603,418
Accumulated losses	14	(48,355)
Total equity		555,063

# Financial statements continued

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## Statement of cash flows

For the year ending 30 June 2005

	Note	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received in the course of operations		1,181
Cash paid in the course of operations		(95,635)
Interest received		401
Interest paid		
Net cash provided by/(used in) operating activities	15(a)	(94,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for intangible assets		(60,000)
Payment for property plant & equipment		(185,372)
Net cash provided by/(used in) investing activities		(245,372)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of share issues		635,509
Payment of share issue costs		(32,091)
Net cash provided by financing activities		603,418
Net increase/(decrease) in cash held		263,993
Cash at the beginning of the financial year		-
Cash at the end of the financial year	15(b)	263,993

# Notes to the financial statements

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For year ending 30 June 2005

## Note 1: Summary of significant accounting policies

### **Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with

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.

Comparatives have not been provided as the Company was incorporated during the financial year.

### **Income tax**

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

### **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 statement of financial position. Cash flows are included in the statement of cash flows on a gross basis.

# Notes to the financial statements continued

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## Note 1: Summary of significant accounting policies continued

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 entitlements

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

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

### Intangibles

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

### Cash

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

### Property, plant and equipment

Property, plant and equipment are carried at cost or at independent or Directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate (%)
Plant and equipment	2.5 - 25
Furniture and fittings	2.5 - 25

# Notes to the financial statements continued

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## **Comparative figures**

Comparatives have not been provided as the Company was incorporated during the 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).

## **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.

## **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.

## Notes to the financial statements continued

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2005  
\$

### Note 2: Revenue from ordinary activities

#### OPERATING ACTIVITIES:

- margin income	335
- commissions	608
- other revenue	238
<b>Total revenue from operating activities</b>	<b>1,181</b>

#### NON-OPERATING ACTIVITIES:

- interest received	401
Total revenue from non-operating activities	401
<b>Total revenues from ordinary activities</b>	<b>1,582</b>

### Note 3: Expenses

#### Depreciation of non-current assets:

- leasehold improvements	208
- plant & equipment	472

#### Amortisation of non-current assets:

- intangibles	690
	1,370

#### Borrowing expenses:

- interest paid	-
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## Notes to the financial statements continued

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**2005**  
**\$**

### Note 4: Income tax expense

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating Profit/(Loss)	(69,375)
Prima facie tax on profit/(loss) from ordinary activities at 30%	20,813
Add tax effect of:	
- Non-deductible expenses	207
<b>Income tax expense on operating profit/(loss)</b>	<b>21,020</b>

### Note 5: Cash assets

Cash at bank and on hand	263,993
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### Note 6: Receivables

Trade receivables	35,986
Prepayments	29,500
	<b>65,486</b>

### Note 7: Property, plant and equipment

#### OFFICE FURNITURE AND EQUIPMENT

At cost	41,047
Less accumulated depreciation	(472)
	<b>40,575</b>

#### LEASEHOLD IMPROVEMENTS

At cost	144,325
Less accumulated depreciation	(208)
	144,117
<b>Total written down amount</b>	<b>184,692</b>

## Notes to the financial statements continued

**2005**  
**\$**

### Note 7: Property, plant and equipment continued

#### MOVEMENTS IN CARRYING AMOUNTS:

##### OFFICE FURNITURE AND EQUIPMENT

Carrying amount at beginning of year	-
Additions	41,047
Disposals	-
Less depreciation expense	(472)
<b>Carrying amount at end of year</b>	<b>40,575</b>

##### LEASEHOLD IMPROVEMENTS

Carrying amount at beginning of year	-
Additions	144,325
Disposals	-
Less depreciation expense	(208)
<b>Carrying amount at end of year</b>	<b>144,117</b>

### Note 8: Intangible assets

#### Franchise Fee

At cost	60,000
Less: accumulated amortisation	(690)
	<b>59,310</b>

### Note 9: Deferred tax benefit

#### Future income tax benefit

Tax losses - revenue	21,020
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## Notes to the financial statements continued

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	<b>2005</b>
	<b>\$</b>
<b>Note 10: Payables</b>	
Trade Creditors	28,006
Other creditors & accruals	-
	<b>28,006</b>

### Note 11: Non current liabilities

Interest Free loan	11,432
	<b>11,432</b>

### Note 12: Contributed equity

635,509 Ordinary shares fully paid of \$1 each	635,509
Less preliminary expenses	(32,091)
	<b>603,418</b>

### Note 13: Retained earnings/ accumulated losses

Balance at the beginning of the financial year	-
Net profit/(loss) from ordinary activities after income tax	(48,355)
<b>Balance at the end of the financial year</b>	<b>(48,355)</b>

## Notes to the financial statements continued

2005

\$

### Note 14: Statement of cashflows

#### (A) RECONCILIATION OF CASH

Cash at bank and on hand	263,993
	<b>263,993</b>

#### (B) RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES

AFTER TAX TO NET CASH PROVIDED BY/(USED IN)

#### OPERATING ACTIVITIES

<b>Profit/(Loss) from ordinary activities after income tax</b>	<b>(48,356)</b>
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#### Non cash items:

- depreciation	680
- amortisation	690

#### Changes in assets and liabilities:

- (increase)/decrease in receivables	(65,486)
- (increase)/decrease in other assets	(21,020)
- increase/(decrease) in payables	39,438
<b>Net cashflows provided by/(used in) operating activities</b>	<b>(94,053)</b>

### Note 15: Auditors' remuneration

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

- audit & review services	1,800
- other services in relation to the Company	2,800
	<b>4,600</b>

## Notes to the financial statements continued

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### Note 16: Director and Related party disclosures

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

Ralph Godschall Johnson  
Lesley Christine Ward  
Rodney David Nunn  
Joseph David Bartolo  
Bruce McDonald Fitzgerald  
Robin Pitcher  
Peter John Smith  
Kenneth John Wedel  
Gloria Jean Johns  
Gerard Stanley (Resigned 10 May 2005)

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.

<b>Directors shareholdings</b>	<b>2005</b>
Ralph Godschall Johnson	16,001
Lesley Christine Ward	1,001
Rodney David Nunn	1,251
Joseph David Bartolo	10,001
Bruce McDonald Fitzgerald	4,001
Robin Pitcher	1,001
Peter John Smith	5,001
Kenneth John Wedel	5,001
Gloria Jean Johns	101
Gerard Stanley (Resigned 10 May 2005)	-

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

### Note 17: Earnings per share

Earnings per share for the financial year have not been calculated as the Company did not commence trading until near the end of the financial year.

## Notes to the financial statements continued

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### Note 18: International Financial Reporting Standards - Impact of adopting Australian equivalents to IFRS

Entities complying with AIFRS for the first time will be 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 will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Company has established a project team to manage the transition to AIFRS, including training of staff and internal control changes necessary to gather all the required financial information. The transition is currently on schedule.

In the Company's opinion, no material impacts are expected in relation to the financial report for the year ended 30 June 2005. There are no impacts to be disclosed.

Impact on the statements of financial performance Nil

Impact on the statements of financial position Nil

Note explaining the impacts on the statements of financial performance and statements of financial position.

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

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases.

In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

If the policy required by AASB 112 had been applied during the year ended 30 June 2005, there would have been no impact on the value of deferred tax assets or liabilities.

### Note 19: Subsequent events

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

### Note 20: Contingent liabilities

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

## Notes to the financial statements continued

### Note 21: Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being the Sarina District of Queensland.

### Note 22: Registered office/principal place of business

The registered office and principal place of business is 37 Broad Street Sarina Qld 4737.

### Note 23: Financial instruments

#### Net fair values

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

#### Credit risk

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

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

#### Interest rate risk

Financial instrument	Floating interest Rate		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					
			2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$				
FINANCIAL ASSETS												
Cash assets	263,993	N/A	-	N/A	-	N/A	-	N/A	-	N/A	5.50	N/A
Receivables	-	N/A	-	N/A	-	N/A	-	N/A	65,272	N/A	-	N/A
FINANCIAL LIABILITIES												
Interest bearing liabilities	-	N/A	-	N/A	-	N/A	-	N/A	11,432	N/A	-	N/A
Payables	-	N/A	-	N/A	-	N/A	-	N/A	28,006	N/A	-	N/A

# Directors' declaration

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In the Directors opinion:

- (1) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards the Corporations Regulations 2001; and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance as represented by the results of its operations and its cash flows for the financial year ended on that date; and
- (2) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



**Ralph Godschall Johnson**  
**Chairman**



**Rodney David Nunn**  
**Director**

Signed on 15 September 2005.



# Independent audit report

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## INDEPENDENT AUDIT REPORT

PO Box 454  
Bendigo VIC 3552  
61-65 Bull Street  
Bendigo VIC 3550  
Phone (03) 5443 0344  
Fax (03) 5443 5304  
afs@afsbendigo.com.au  
www.afsbendigo.com.au  
ABN 51 061 795 337

To the members of Sarina & District Community Financial Services Limited

### Scope

We have audited the financial report of Sarina & District Community Financial Services Limited for the financial year ended 30 June 2005 including the Directors' Declaration. The company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it 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. 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. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position and performance as presented by the results of its operations and cash flows.

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

### *AUDIT OPINION*

In our opinion the financial report of Sarina & District Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

**DAVID HUTCHINGS**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

Dated this 15<sup>th</sup> day of September 2005

# Independent audit report continued

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Sarina District Community Financial Services Limited  
ABN 28 112 407 182  
Auditor's Declaration

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

15 September 2005

## Auditor's Independence Declaration

As lead auditor for the audit of Sarina & District Community Financial Services Limited for the year ended 30 June 2005, 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 Sarina & District Community Financial Services Limited

David Hutchings  
Auditor

Andrew Frewin & Stewart  
Bendigo  
VIC 3550

# BSX Report

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Additional information required by Bendigo Stock Exchange Limited and not shown elsewhere in our Annual Report is as follows and current as at 28th September 2005.

## A. Corporate governance statement

The Board directs the business and affairs of the shareholders to whom they are accountable.

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

Our Company will be creating an Audit Committee for the next financial year.

## B. Substantial shareholders - 10 largest

	No. of Shares	% of Total issued
Ms Helen Marie Dixon	25,000	3.78
Mr. Laurence Wayne Dixon	25,000	3.78
Alma Heath Tuck	20,500	3.1
Catherine Stewart Hutton	20,000	3.02
Ralph Godschall Johnson & Suzanne Mary Johnson	16,000	2.41
Alexander Rodrick McFadzen	10,000	1.51
Mr Paul Martin Bennett & Mrs. Francine K.A. Bennett	10,000	1.51
Joseph David Bartolo & Clare Anne Bartolo - Barco Super Fund A/C	10,000	1.51
Shirley Callander - Callander Super Fund A/C	10,000	1.51
Mr David Dunn	10,000	1.51
<b>Total:</b>	<b>156,500</b>	<b>23.64</b>
<b>Total number of shares issued:</b>	<b>662,000</b>	<b>100</b>

# BSX Report continued

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## C. Distribution of shares By category

The number of shareholders by size of holdings is:

Range	Number of Shareholders	No Of Shares	%
1 to 1000	279	164,100	24.7
1001 to 5000	99	320,400	48.45
5001 to 10000	8	72,000	10.9
10001 to 100000	5	105,500	15.95
1000001 and over	0	0	0
Total	391	662,000	100
Less than a marketable Parcel (\$500)	88	14,150	2.13

## D. Voting rights

Each shareholder has the right to vote at a general meeting. Each person present as a shareholder, attorney, corporate representative or by proxy has one vote regardless of the number of Shares held.

## E. Name of Company secretary:

Lesley Christine Ward

## F. Name, address and telephone number of registered office:

Sarina & District Community Financial Services Limited

37 Broad Street, Sarina North Queensland, 4737

Telephone: 07 4943 2634

## G. Address and telephone numbers of securities register office.

Bendigo Bank Limited

Share Registry Office

Fountain Court

Bendigo 3552

Telephone: 03 5433 9339

## Vision

The vision for the Sarina and District Community Financial Services Limited is to provide a highly professional and reliable, but flexible and innovative family-oriented local service. It will reinvest funds to build the economy in such a way that the whole community benefits and becomes stronger.

