

# Sarina Community Bank<sup>®</sup>



# 2007 annual report



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# Chairman's report

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For year ending 30 June 2007

This is my third Annual Report on behalf of the Board of Directors since the inception of our **Community Bank**<sup>®</sup> branch. I am pleased to inform you that we have again experienced solid growth throughout the year. Funds under management approached \$50 million by the end of the 2007 financial year. This is a major and welcome achievement, and surpasses the targets set in our annual budget.

We operate in a fiercely competitive financial industry where our competitors seem to have very substantial advertising budgets. We have largely built our business through word of mouth recommendation, personal introductions and community loyalty. I will take this opportunity to thank and commend those Directors, shareholders, customers and staff who have introduced people to our business. You have propelled us towards the milestone of recording a profit in monthly trading, which we achieved in May 2007. We all need to continue to assist friends, neighbours, family and acquaintances, particularly people new to the district, to make appointments with Bill Paton and his friendly team. They have the expertise to help people become customers.

Your Board of Directors has been active and diligent, and my thanks on your behalf to all for volunteering for a year of dedication and hard work. A special welcome is extended to new Directors Sonja Solli, Helen Dixon and Byron Davidson. Byron has accepted Chairmanship of our Marketing Committee which is now growing. An open invitation exists for other shareholders and community members to become involved in the promotion of our business so that public awareness elevates positively and incrementally. Our thanks go to Carol Edwards for her continuing efforts on the Marketing Committee.

Our staff are very capably led and mentored by our Manager, Bill Paton. Bill and his staff have been striving to increase each customer's product mix with the emphasis on tailoring a financial package that best suits that person's needs. I extend our appreciation to all staff for their efforts that have seen our branch outperform other Company and community sites in our region, some in much larger centres and many are longer established.

We have been through a number of broadly distinct phases in the building of the Company and business. Initially, gathering pledges was all important in establishing feasibility. Then the task became converting those pledges into shares and attracting new shareholders to finance our Company. Once the doors opened for trading, we then needed to attract as many customers as possible. We believe that we are now poised to enter a new phase. As a business, we need to move positively and confidently into more housing loans, business accounts, insurance policies, superannuation and agribusiness accounts. To assist this in happening, your Board has set a date to review and sharpen our current business plan in the new financial year.

We have received valuable support and encouragement from our business partner Bendigo Bank. Special thanks to Stuart Mitchell for representing Bendigo Bank at many of our Board meetings, and for his unceasing enthusiasm and energy in finding the answers to many of our questions. We also welcome Libby Gleeson as our new Bendigo Bank Regional Manager.

I would like to especially commend and thank Company Secretary, Lesley Ward, and Company Treasurer, Rodney Nunn. Both have been a tower of strength and have engaged in their portfolios with vision, determination and incredible persistence.

My personal circumstances have changed which will prevent me from seeking re-election as chairman in that from July 2007; I will be acting Principal at Glenden. As I will be unable to attend Board meetings, I reluctantly and sadly tendered my resignation from the Board as of 30 June 2007. I believe that there is immense talent among the remaining Directors and also in the community and that the direction of our Company remains safe, secure and future orientated. My enthusiasm for the successful establishment and long term operation of our **Community Bank**<sup>®</sup> branch has in no way diminished or altered and I wish the new Board of Directors every success.

Yours Sincerely,



Ralph Johnson

# Manager's report

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For year ending 30 June 2007

The 2007 financial year saw the Sarina **Community Bank**<sup>®</sup> Branch enjoy another successful trading year in terms of business growth.

Our funds under management grew by \$25 million in combined banking business with over 700 new accounts opened. This is an improvement on the previous year's growth of \$22 million. Total funds under management in combined banking business as at 30 June 2007, was approximately \$50 million. Consequently, our growth performance has exceeded the projected growth budget significantly for the second consecutive year.

This is a great result for a Company that has been trading for just over two years. As ambassadors for the **Community Bank**<sup>®</sup> branch, we need to ensure that the growth and support momentum continues, by continuing to spread the **Community Bank**<sup>®</sup> concept and the benefits of banking with your **Community Bank**<sup>®</sup> branch.

Over the past twelve months the Sarina **Community Bank**<sup>®</sup> Branch has either been directly involved with, or supported a number of community projects. As we continue to grow, our contribution to the community will be greater and more significant.

2006 – 2007 community projects included:

- \$1,500 sponsorship to Sarina State High School – Motor Works Training Program. Year eight students learning about and repairing small engines such as mowers and whipper-snippers.
- Sponsor of SIDS Track for Kids - 30 vehicles departed from our branch on their trek to Mt Isa and back to Rockhampton, visiting outback schools raising money and awareness for SIDS.
- Raising funds for cancer by hosting the 'Biggest Morning Tea' and 'Relay for Life.'
- Various other donations of support to worthy local events and organisations.

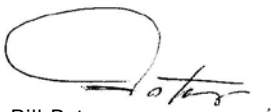
In closing, I would like to thank all of the shareholders who have embraced and supported the concept of our **Community Bank**<sup>®</sup> branch.

Thank you also to all of our Board members and the dedication exhibited in their roles as Directors. A special mention goes to Lesley Ward who is always available to assist and keep things moving. I would like to welcome and thank Byron Davidson who has recently stepped into the Chairperson role, and our other new Directors, Helen Dixon and Sonja Solli. I would also like to wish Ralph Johnson good luck with his new position.

Finally, I thank the members of my branch team, Mary, Heather, Kylie and Rowena, for their valuable contribution over the past 12 months. We have recently had some staff changes due to Kylie and Rowena currently taking maternity leave and so I take this opportunity to introduce and welcome our new staff members, Andrea, Trudy and Michelle.

On behalf of the branch team, I once again extend my appreciation to the Board and shareholders for their ongoing support and assistance and look forward to another successful year in 2008.

Yours sincerely,



Bill Paton

Branch Manager

# Directors' report

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

## Directors

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

### **Byron Robert Davidson**

Chairman (Appointed Chairman 25 July 2007  
Appointed Director 18 November 2006)  
Age: 53  
Driver/Tutor Queensland Rail  
Long term resident of Sarina. Extensive involvement  
in a number of community organisations.  
Interests in shares: Nil

### **Rodney David Nunn**

Treasurer  
Age: 62  
Retired ex-Queensland Public Service  
Extensive experience in Public Service in the  
area of commercial law and accounting.  
Interests in shares: 1,251

### **Robin John Pitcher**

Director  
Age: 70  
Retired Council Overseer  
Life long resident of Sarina. Local Government  
overseer of works and works Manager.  
Interests in shares: 1,001

### **Peter John Smith**

Director  
Age: 71  
Retired Retail Operator  
Life long resident of Sarina. Forty years in retail business.  
Extensive personal links in local business community.  
Interests in shares: 5,001

### **Lesley Christine Ward**

Secretary  
Age: 57  
Business Owner  
Owner Manager of a local jewellery business.  
Resides of Sarina more than ten years with  
extensive community voluntary work.  
Interests in shares: 1,001

### **Bruce McDonald Fitzgerald**

Director  
Age: 60  
Train Driver  
Resident of Sarina for 34 years. Construction  
industry experience. Broad community involvement.  
Interests in shares: 4,001

### **Kenneth John Wedel**

Director  
Age: 43  
Self Employed  
Fifteen years rural business management. Broad  
community involvement. Resident for thirty years.  
Interests in shares: 5,001

### **Ralph Godschall Johnson**

Director (Resigned 1 July 2007)  
Age: 52  
Deputy Principal  
Has resided in Sarina since 1991. Extensive  
involvement with community through Rotary  
and other organisations.  
Interests in shares: 16,001

# Directors' report continued

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## **Helen Marie Dixon**

Director (Appointed 18 November 2006)

Age: 55

Farmer

Long term resident of Sarina. Extensive farming business, active within industry and community.

Interests in shares: 25,000

## **Sonja Synnove Solli**

Director (Appointed 18 November 2006)

Age: 59

Primary Teacher

Long term resident of Sarina. Involved in a number of voluntary activities and community organisations.

Interests in shares: 1,000

## **Joseph David Bartolo**

Director (Resigned 18 November 2006)

Age: 57

Account Manager

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

Interests in shares: 10,001

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

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

As at time of financial report the Board had appointed Byron Davidson as Chairman.

## **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**

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2007	30 June 2006
\$	\$
(79,336)	(178,435)

# Directors' report continued

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## **Remuneration Report**

No Director of the Company receives any remuneration for services as a Company Director or receives any remuneration directly or indirectly for any other purpose associated with the Company. 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. He is a member of the Marketing/Sponsorship sub-committee.

It is Board Policy that all staff are seconded from Bendigo Bank. As such, the Company is guided by Bendigo Bank in determining the remuneration payable to their own employees. The Branch Manager is seconded from Bendigo Bank and as such is entitled to participate in a bonus scheme operated by Bendigo Bank. The amount of any bonus payment is tied to the outcome of annual performance review where:

- (a) such review measures performance against defined objectives noted in the position description; and
- (b) the amount of any bonus payment is not directly tied to the Company's performance; and
- (c) the annual review process has been provided by Bendigo Bank; and
- (d) the annual review process does not involve a comparison with factors external to the Company.

During the year ended 30 June 2007 the Branch Manager Mr Bill Paton was paid a base salary, plus superannuation support in the salary range \$70,000 to \$80,000 per annum. A bonus of \$2,800 was paid.

## **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**

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

## **Likely Developments**

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

## **Environmental Regulation**

The Company is not subject to any significant environmental regulation.

## **Directors' Benefits**

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement

## Directors' report continued

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excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

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

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

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

### **Directors Meetings**

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

	<b>Number of Board Meetings eligible to attend</b>	<b>Number attended</b>
Byron Robert Davidson (Appointed 18 November 2006)	9	6
Lesley Christine Ward	13	12
Rodney David Nunn	13	13
Bruce McDonald Fitzgerald	13	12
Robin John Pitcher	13	13
Kenneth John Wedel	13	12
Peter John Smith	13	12
Ralph Godschall Johnson (Resigned 1 July 2007)	13	12
Helen Marie Dixon (Appointed 18 November 2006)	9	6
Sonja Synnove Solli (Appointed 18 November 2006)	9	7
Joseph David Bartolo (Resigned 18 November 2006)	6	5



# Directors' report 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, 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**

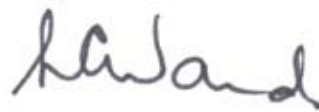
A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Board of Directors at Sarina, Queensland on 30 July 2007.



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**Rodney David Nunn, Treasurer**



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**Lesley Christine Ward, Secretary**

## Directors' report continued

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### **Auditor's Independence Declaration**

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

- a) no contraventions of the Auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sarina and District Community Financial Services Limited.



David Hutchings

Auditor Partner

Andrew Frewin & Stewart

Bendigo

30 July 2007

# Financial statements

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## Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenues from ordinary activities	3	332,684	151,528
Salaries and employee benefits expense		(253,790)	(228,701)
Advertising and promotion expenses		(5,897)	(2,462)
Occupancy and associated costs		(48,277)	(46,034)
Systems costs		(24,431)	(26,084)
Depreciation and amortisation expense	4	(28,440)	(27,714)
General administration expenses		(82,330)	(73,751)
<b>Loss before income tax credit</b>		<b>(110,481)</b>	<b>(253,218)</b>
Income tax credit	5	31,145	74,783
<b>Loss for the period</b>		<b>(79,336)</b>	<b>(178,435)</b>
<b>Loss attributable to members of the entity</b>		<b>(79,336)</b>	<b>(178,435)</b>
<b>Earnings per share (cents per share)</b>			
		c	c
- basic for profit for the year	19	(11.02)	(26.18)
- diluted for profit for the year	19	(11.02)	(26.18)

The accompanying notes form part of these financial statements.

# Financial statements continued

## Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
<b>Current Assets</b>			
Cash assets	6	43,054	132,805
Trade and other receivables	7	23,600	28,352
<b>Total Current Assets</b>		<b>66,654</b>	<b>161,157</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	156,168	172,608
Intangible assets	9	35,310	47,310
Deferred tax assets	10	126,948	95,803
<b>Total Non-Current Assets</b>		<b>318,426</b>	<b>315,721</b>
<b>Total Assets</b>		<b>385,080</b>	<b>476,878</b>
<b>Current Liabilities</b>			
Trade and other payables	11	3,188	9,934
Interest bearing liabilities	12	-	5,716
<b>Total Current Liabilities</b>		<b>3,188</b>	<b>15,650</b>
<b>Total Liabilities</b>		<b>3,188</b>	<b>15,650</b>
<b>Net Assets</b>		<b>381,892</b>	<b>461,228</b>
<b>Equity</b>			
Contributed equity	13	688,018	688,018
Accumulated losses	14	(306,126)	(226,790)
<b>Total Equity</b>		<b>381,892</b>	<b>461,228</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity

For the year ended 30 June 2007

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Total equity at the beginning of the financial year	461,228	555,063
Net income/expense recognised directly in equity	-	-
Net profit/(loss) for the year	(79,336)	(178,435)
Total recognised income & expenses for the year	381,892	376,628
Shares issued during period	-	84,600
Costs of issuing shares	-	-
Dividends provided for or paid	-	-
<b>Total equity at the end of the financial year</b>	<b>381,892</b>	<b>461,228</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

For the year ended 30 June 2007

	Note	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		343,217	139,255
Payments to suppliers and employees		(437,564)	(349,239)
Interest received		4,596	7,070
<b>Net cash inflow/(outflow) from operating activities</b>	15	<b>(89,751)</b>	<b>(202,914)</b>
<b>Cash Flows From Investing Activities</b>			
Refund from fit out		-	955
Payments for property plant and equipment		-	(13,829)
<b>Net cash outflow from investing activities</b>		<b>-</b>	<b>(12,874)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds of share issues		-	84,600
<b>Net cash inflow from financing activities</b>		<b>-</b>	<b>84,600</b>
<b>Net decrease in cash held</b>		<b>(89,751)</b>	<b>(131,188)</b>
Cash at the beginning of the financial year		132,805	263,993
<b>Cash at the end of the financial year</b>	6(a)	<b>43,054</b>	<b>132,805</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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## 1. Summary of significant accounting policies

### **Basis of preparation**

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

### **Compliance with IFRS**

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

### **Historical cost convention**

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

### **Revenue**

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

### **Goods and services tax**

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

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

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

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

### **Income tax**

#### Current tax

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

# Notes to the financial statements continued

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

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

#### Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

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

### **Employee entitlements**

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

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



# Notes to the financial statements continued

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

### **Intangibles**

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

### **Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **Comparative figures**

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

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

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

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

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

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

# Notes to the financial statements continued

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

### **Impairment of assets**

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

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

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

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

### **Payment terms**

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

### **Trade Receivables and Payables**

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

# Notes to the financial statements continued

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

### **Borrowings**

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

### **Provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions 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 Equity**

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

### **Earnings per Share**

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

# Notes to the financial statements continued

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## 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 the financial statements continued

	2007 \$	2006 \$
<b>3. Revenue from ordinary activities</b>		
Operating activities:		
- services commissions	329,170	142,671
- other revenue	-	147
<b>Total revenue from operating activities</b>	<b>329,170</b>	<b>142,818</b>
Non-operating activities:		
- interest received	3,514	8,710
<b>Total revenue from non-operating activities</b>	<b>3,514</b>	<b>8,710</b>
<b>Total revenues from ordinary activities</b>	<b>332,684</b>	<b>151,528</b>

## 4. Expenses

Depreciation of non-current assets:		
- plant and equipment	6,843	6,350
- leasehold improvements	9,597	9,364
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	<b>28,440</b>	<b>27,714</b>

## 5. Income tax expense

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

Operating loss	(110,481)	(253,218)
Prima facie tax on loss from ordinary activities at 30%	(33,144)	(75,966)
Add tax effect of:		
- temporary differences	324	(492)
- non-deductible expenses	1,675	1,675
<b>Income tax expense on operating loss</b>	<b>(31,145)</b>	<b>(74,783)</b>

## Notes to the financial statements continued

	2007 \$	2006 \$
<b>6. Cash assets</b>		
Cash at bank and on hand	2,953	5,704
Investment account	40,101	127,101
	<b>43,054</b>	<b>132,805</b>

The above figures are reconciled to costs at the end of the financial year as shown in the statement of cashflows.

### 6(a). Reconciliation of cash

Cash at bank and on hand	2,953	5,704
Investment account	40,101	127,101
	<b>43,054</b>	<b>132,805</b>

## 7. Trade and other receivables

Trade receivables	6,100	4,852
Prepayments	17,500	23,500
	<b>23,600</b>	<b>28,352</b>

## 8. Property, plant and equipment

### Plant and equipment

At cost	34,137	34,137
Less accumulated depreciation	(13,665)	(6,822)
	<b>20,472</b>	<b>27,315</b>

### Leasehold improvements

At cost	154,865	154,865
Less accumulated depreciation	(19,169)	(9,572)
	135,696	145,293
<b>Total written down amount</b>	<b>156,168</b>	<b>172,608</b>

## Notes to the financial statements continued

	2007	2006
	\$	\$

### 8. Property, plant and equipment (continued)

#### Movements in carrying amounts:

##### Plant and equipment

Carrying amount at beginning	27,315	40,575
Reclassification	-	(6,910)
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,843)	(6,350)
<b>Carrying amount at end</b>	<b>20,472</b>	<b>27,315</b>

##### Leasehold improvements

Carrying amount at beginning	145,293	144,117
Reclassification	-	10,540
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,597)	(9,364)
Carrying amount at end	135,696	145,293
<b>Total written down amount</b>	<b>156,168</b>	<b>172,608</b>

### 9. Intangible assets

#### Franchise Fee

At cost	60,000	60,000
Less: accumulated amortisation	(24,690)	(12,690)
	<b>35,310</b>	<b>47,310</b>

## Notes to the financial statements continued

	2007	2006
	\$	\$
<b>10. Deferred Tax</b>		
Deferred Tax Asset		
<b>Tax losses - revenue</b>	<b>127,272</b>	<b>95,803</b>
<b>11. Trade and other payables</b>		
Trade Creditors	188	8,134
Other creditors & accruals	3,000	1,800
	<b>3,188</b>	<b>9,934</b>
<b>12. Borrowings</b>		
Interest free loan	-	<b>5,716</b>
<b>13. Contributed equity</b>		
720,109 Ordinary shares fully paid of \$1 each (2006: 720,109)	720,109	720,109
Less: equity raising expenses	(32,091)	(32,091)
	<b>688,018</b>	<b>688,018</b>
<b>14. Retained Earnings/Accumulated Losses</b>		
Balance at the beginning of the financial year	(226,790)	(48,355)
Net loss from ordinary activities after income tax	(79,012)	(178,435)
Dividends Paid	-	-
<b>Balance at the end of the financial year</b>	<b>(305,802)</b>	<b>(226,790)</b>



## Notes to the financial statements continued

	2007	2006
	\$	\$
<b>15. Statement of cash flows</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	(79,336)	(178,435)
Non cash items		
- depreciation	16,440	15,714
- amortisation	12,000	12,000
- assets previously capitalised written down	-	9,244
Changes in assets and liabilities:		
- decrease in receivables	4,752	37,134
- increase in other assets	(31,145)	(74,783)
- decrease in payables	(6,746)	(18,072)
- decrease in other liabilities	(5,716)	(5,716)
<b>Net cashflows used in operating activities</b>	<b>(89,751)</b>	<b>(202,914)</b>

## 16. Auditors' remuneration

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

- audit & review services	4,800	2,700
- non audit services	1,100	850
	<b>5,900</b>	<b>3,550</b>

# Notes to the financial statements continued

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## 17. Director and Related party disclosures

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

Ralph Godschall Johnson (Resigned 1 July 2007)

Lesley Christine Ward

Rodney David Nunn

Bruce McDonald Fitzgerald

Robin John Pitcher

Kenneth John Wedel

Peter John Smith

Byron Robert Davidson (Appointed 18 November 2006)

Helen Marie Dixon (Appointed 18 November 2006)

Sonja Synnove Solli (Appointed 18 November 2006)

Joseph David Bartolo (Resigned 18 November 2006)

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>2007</b>	<b>2006</b>
Ralph Godschall Johnson (Resigned 1 July 2007)	16,001	16,001
Lesley Christine Ward	1,001	1,001
Rodney David Nunn	1,251	1,251
Bruce McDonald Fitzgerald	4,001	4,001
Robin Pitcher	1,001	1,001
Kenneth John Wedel	5,001	5,001
Peter John Smith	5,001	5,001
Byron Robert Davidson (Appointed 18 November 2006)	-	-
Helen Marie Dixon (Appointed 18 November 2006)	25,000	25,000
Sonja Synnove Solli (Appointed 18 November 2006)	1,000	1,000
Joseph David Bartolo (Resigned 18 November 2006)	10,001	10,001

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

## Notes to the financial statements continued

	2007 \$	2006 \$
<b>18. Earnings per Share</b>		
<b>(a) Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the Company	(79,336)	(178,435)
<b>(b) Reconciliations of earnings used in calculating earnings per share</b>		
Basic earnings per share	c	c
Profit attributable to the ordinary share holders of the Company used in calculating basic earnings per share	(11.02)	(26.18)
<b>(c) Weighted average number of shares used as the denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2007 Number 720,109	2006 Number 720,109

## 19. Events occurring after the balance sheet date

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

## 20. Contingent liabilities

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

## 21. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Sarina and the surrounding districts of Queensland.

## 22. Registered office/Principal place of business

The registered office and principal place of business is:

**Registered office**  
37 Broad Street  
Sarina, QLD 4737

**Principal place of business**  
37 Broad Street  
Sarina, QLD 4737

# Notes to the financial statements continued

## 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

Fixed interest rate maturing in

Financial instrument	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	2,694	5,445	-	-	-	-	-	-	269	269	0.05	0.05
Term deposit	-	-	40,101	127,101	-	-	-	-	-	-	5.4	4.74
Receivables	-	-	-	-	-	-	-	-	23,601	28,352	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	5,716	N/A	Nil
Payables	-	-	-	-	-	-	-	-	3,188	9,934	N/A	N/A

# Directors' declaration

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In accordance with a resolution of the Directors of Sarina and District Community Financial Services Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

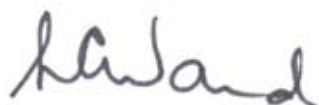
The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

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



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**Rodney David Nunn, Treasurer**



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**Lesley Christine Ward, Secretary**

Signed on the 30 July 2007.

# Independent Audit report

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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

## INDEPENDENT AUDITOR'S REPORT

To the members of Sarina & District Community Financial Services Limited

We have audited the accompanying financial report of Sarina & District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

### Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility


Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence Auditor's Opinion

In our opinion, the financial report of Sarina & District Community Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Sarina & District Community Financial Services Limited as of 30 June 2007 and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Dated this 30th day of July 2007

# BSX report

In accordance with Bendigo Stock Exchange listing rules the Company provides the following additional information as at 31 August 2007, which is within 6 weeks of this report being sent to shareholders.

## A. Distribution of equity securities

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

Number of Shares Held	Number of Shareholders
1 to 500	163
501 to 1,000	117
1,001 to 5,000	117
5,001 to 10,000	10
10,001 to 100,000	6
100,001 and over	0
Total Shareholders	413

## B. Ten largest shareholders

Shareholder	Number of Shares	Percentage of Capital
Ms Helen Marie Dixon	25,000	3.47
Mr Laurence Wayne Dixon	25,000	3.47
Alma Heath Tuck	20,500	2.85
Catherine Stewart Hutton	20,000	2.718
Ralph Godschall Johnson & Suzanne Mary Johnson	15,001	2.08
Joseph David Bartolo & Clare Anne Bartolo	10,001	1.39
Alexander Rodrick McFadzen	10,000	1.39
Mr Paul Martin Bennett & Mrs Francine K.A. Bennett	10,000	1.39
Shirley Callander	10,000	1.39
Mr David Dunn	10,000	1.39
<b>Total</b>	<b>155,502</b>	<b>21.60</b>
<b>Total shares issued</b>	<b>720,109</b>	<b>100</b>

## BSX report continued

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### C. Voting rights

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

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

There are 163 shareholders holding less than a marketable parcel of shares (\$500 in value). This is based on current share price of \$0.90 per share. Their holdings total 58,951 shares.

There are no restricted securities on issue.

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

### D. Registered Office and Principal Administrative Office

The registered office of the company is located at:

37 Broad Street  
Sarina, QLD 4737  
Phone: 07 4943 2634

The principal administrative and business office of the company is located at:

37 Broad Street  
Sarina, QLD 4737  
Phone: 07 4943 2634

### E. Security Register

The security register (share register) is kept at:

Computershare Investor Service Pty Ltd  
Yarra Falls  
452 Johnson Street  
Abbotsford, VIC 3067  
Phone: 1300 850 505



### F. Corporate governance statement

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

The Board has completed a set of policies and procedures that will govern our Company in the future.

The Board meets at least monthly and follows a meeting guideline. All Directors are made aware of, agenda items, and have availability to all necessary information in advance, to participate in informed discussion and decision making. An Audit Committee has been formed.

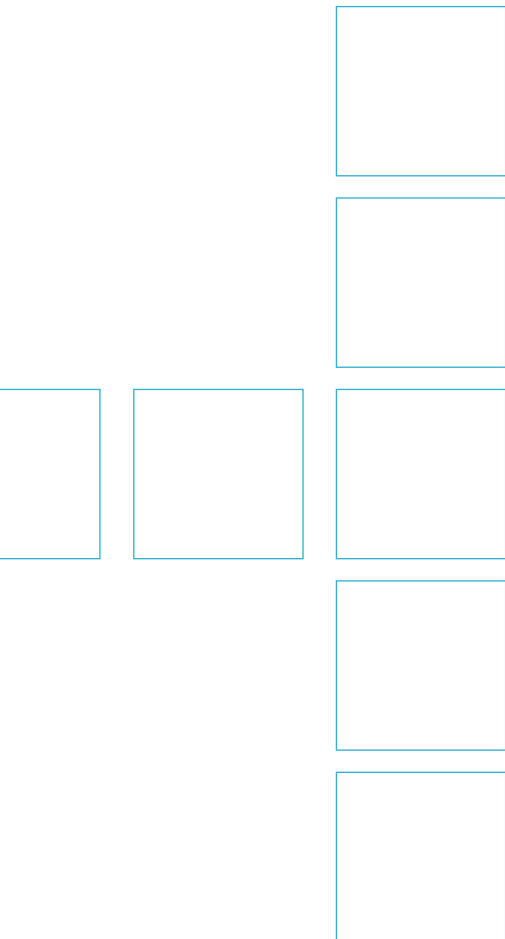
### G. Other information

Please refer to the annual report, for details of the Company Secretary and Directors.

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

### Vision

The vision for the Company is to provide a highly reliable, but flexible and innovate family-oriented local service. It will reinvest funds to build the economy in such a way that the whole community benefits and becomes stronger.



Sarina **Community Bank**<sup>®</sup> Branch  
37 Broad Street, Sarina, QLD 4737  
Phone: (07) 4943 2634

Franchisee: Sarina and District Community Financial Services Ltd  
37 Broad Street, Sarina, QLD 4737  
Phone: (07) 4943 2634  
ABN 28 112 407 182

[www.bendigobank.com.au](http://www.bendigobank.com.au)  
Bendigo Bank Limited, Fountain Court, Bendigo, VIC. 3550  
ABN 11 068 049 178. AFSL 237879. (KKQAR7002) (08/07)