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Chairperson's report

For year ending 30 June 2006

Your Warburton **Community Bank**[®] Branch has just completed another successful and profitable year; a year which has been highlighted by an achievement we thought was beyond our wildest dreams.

On the 21st of February the title changed hands and we became the proud purchasers of our business premises at 3399 Warburton Highway, Warburton.

This fine building was originally built for the State Savings Bank of Victoria and then became a Commonwealth Bank branch before it was closed in 1998. It was re-opened to house Warburton **Community Bank**[®] Branch in February 2000. It will remain our house of business for time immemorial and, I'm sure you will all agree that it is the best building of its type in Warburton.

You may remember in our Prospectus a statement was made that up to 20 per cent of our profits would be returned to our Shareholders. At last year's AGM a Shareholder questioned the fact that we were only returning a 9 per cent dividend. The choice was made several years ago to establish a working capital fund to put us in the position for expansion and financial gain if the opportunity arose. This fund helped to make the above purchase possible, although we still have a way to go to complete our transaction.

It is with much pride and satisfaction that our Grants and Sponsorship sub-committee has completed its role again, on your behalf, as the provider of financial support to a number of worthy community groups and projects. The total amount awarded in the past 12 months was \$269,850. With the continued support of our Shareholders and customers, our financial support for these truly worthwhile recipients will continue to grow.

Our Grants and Sponsorship group have been working in association with the Community Enterprise Foundation, established by Bendigo Bank in 2004. The foundation has helped us obtain significant taxation advantages and, at times, has been able to obtain additional financial support from various government sources. We do appreciate the worthwhile assistance of Natalie Elliott and her team.

It was at this time last year that we welcomed our new manager, Darren Pennington. He has made a good impression with our customers, and his banking knowledge and skills are first class. In fact, some of his suggestions and recommendations at Board meetings show that he can manage the bank well today, with our interests at heart for tomorrow. I must extend special thanks on behalf of the Board to Derek Brook who kept the manager's seat warm before Darren arrived and to our highly professional team at the 'coal face' – Lisa King, Ros Caneva, Linda Wright, Tanya Donnan and Rene Sundell who put in extra hours over the past 12 months. Thanks also go to Carol Hartshorn for a job well done.

Board members have come and gone for various reasons over the past six years and it has happened to us again this year. Back in February Raylene Chisholm (from a well known Valley family) attended her last Board meeting. Her departure was a surprise to us all but family and work called. She was a very lively debater and her input was valued at all times.

An even greater surprise was when Robert Musgrove advised that he wished to step down from the Board at the end of June. Robert had been an original Board member and a close friend of both Don Vickers and

Chairperson's report continued

Ian De la Rue from the early days when the **Community Bank**[®] franchises were just starting to take off. I remember the night that Russell Jenkins and Robert Musgrove delivered to us the results of the Warburton **Community Bank**[®] Branch Feasibility Study. Both Russell and Robert have been part of a number of structural changes at Bendigo Bank since then, and it is because of these that Robert is no longer able to continue with us. We thank you sincerely for staying on our Board as long as you have, Robert.

Four new Board members have joined us this year. They are Elizabeth Fox, Barry Marshall, Rodney Woods and Rodney McKail.

For the first time a special Board meeting was held on a Sunday last November. This was to give us time to deal with a number of important matters that had arisen and we had not been able to deal with in the time available at regular Board meetings.

One such matter under discussion was the increasing amount of time required by Board members to complete the onerous tasks demanded of them, in honorary positions, by a thriving \$70-plus million business – Warburton **Community Bank**[®] Branch. The Board voted unanimously to create a new full time salaried position – that of a Secretary/Treasurer. After applications were received for the position, Geoff Vickers was selected and commenced his new role on 3 January this year. Two positions that were announced last year in the Secretary's report – a book keeper and administration assistant on an 'as needs' basis are no longer required. There is no Secretary's report in this year's Annual Report so if you have a question for Geoff relating to **Community Bank**[®] Grants, Community Telco matters etc. our office phone number is (03) 5966 9028.

Many thanks must be passed on to our legal advisor, Tim Mepstead, and to our Company accountant, Michael Aicher, for keeping us heading in the right and proper direction at all times.

The assistance we've received again from printer, Jeff Gill, and graphic artist, Jed Mahoney, is also much appreciated.

Last, but by no means least on the list, is the extension of an invitation to you, on behalf of Warburton **Community Bank**[®] Branch Directors, to join us for the Annual General Meeting at Warburton Golf Club on Wednesday, 1 November at 7.30pm.

Finally, the time has come, after an eight year association with Warburton **Community Bank**[®] Branch, to bid you all farewell. From my initial position on the steering committee, to Treasurer, to Board member and finally as Chairperson for the past 12 months, it gives me a great sense of satisfaction and pride to have been associated with such a success story. Work commitments and my family are calling and the time has come to pass on the baton. May you go on to bigger and better things.

Best wishes to you all.



Bob Murray
Chairperson

Manager's report

For year ending 30 June 2006

Another financial year has past and with that I have completed my first year as manager of the Warburton **Community Bank**[®] Branch. The year has seen some great achievements by the bank and it's Board, none more significant than the purchase of the bank's premises. This has given the staff a great sense of pride in what we are continuing to provide for our community. The community can also take pride in this as it is their continued support that has enabled this branch to become a valued part of the community.

Our business results have meet with challenges in a very competitive and slowing housing market. This has been the case particularly in the lending market. In these conditions it is important that we offer very competitive products but on occasions our competitors will vigorously cut prices to win business. We need to remember what the Warburton **Community Bank**[®] Branch is about; it was established to return banking services to a community the major banks had left. We offer value for money and at the same time return profits to the community to help fund many worthwhile projects, funds that would not otherwise have been available to the Warburton Community.

Over the year we had good deposit and investment growth, I would expect this to continue in a rising interest rate market. On the other side we may see a slowing in the lending / housing market due to rising interest rates

As such we have been looking to partner many of the local groups and organisations that have benefited from our grants and sponsorships to refer and promote the bank to their members. This will also provide those clubs with an income stream as a result of each member referred.

We have also been getting involved with our local schools and providing the students with information about the banking system and budgeting, which is an important financial skill.

The staff and I thank everyone who supports our bank and asked that you continue to do so and also recommend our services to family and friends. I ask that when you have banking need, be it lending, investment, insurance or an everyday bank account, let us be your first contact as by supporting your bank you are also showing local community support.



Darren Pennington
Manager

Directors' report

For year ending 30 June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

Directors

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

Mr R J Murray

Compliance Officer

Mr B Berry

Motel/Conference Centre Owner

Mr M Magee

Truck Body Builder

Mr L B Marshall

Retired Maintenance Manager

Appointed: 6 March 2006

Mr R J Woods

Environmental Consultant

Appointed: 6 March 2006

Mrs R L Chisholm

Teacher

Resigned: 8 February 2006

Mr G M Vickers

Company Secretary

Ms C L Fitzpatrick

Account Manager

Mr L G Corallo

Strawberry Farmer

Ms E R Fox

Student Counsellor

Appointed: 6 March 2006

Mr R McKail

Governance manager

Appointed: 1 May 2006

Mr R V Musgrove

Bank Executive

Resigned: 30 June 2006

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

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

Principal activities

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

Directors' report continued

Operating results

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

Dividends	Year Ended 30 June 2006	
	Cents	\$'000
Final dividends recommended after year end:	9	36
Dividends paid in the year:		
- As recommended in the prior year report	9	36

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after the balance date

Other than the declaration of a dividend as disclosed above, there are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

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

Directors' benefits

Other than detailed below no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Directors' report continued

Executive remuneration

	Primary benefits salary & rees \$	Post Employment superannuation \$	Other \$	Total \$
Mick Spruhan (Branch Manager)				
2006	-	-	-	-
2005	76,891	5,052	110	82,053
Darren Pennington (Branch Manager)				
2006	61,250	5,512	233	66,995
2005	-	-	-	-
Geoffrey Vickers (Company Secretary)				
2006	23,836	1,864	-	25,700
2005	4,069	-	-	4,069

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' report continued

Directors meetings

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

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

Company Secretary

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

Corporate Governance

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

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

Directors' report continued

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants

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

A handwritten signature in black ink, reading "Baden Berry". The signature is written in a cursive style with a horizontal line underneath the name.

Baden Berry
Chairman

Financial statements

Income statement

For year ending 30 June 2006

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

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

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

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

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

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 \$	2005 \$
Share Capital			
Ordinary shares			
Balance at start of year		400,000	400,000
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		400,000	400,000
Retained earnings			
Balance at start of year		323,068	147,394
Profit after income tax expense		37,566	211,674
Dividends paid		(36,000)	(36,000)
Balance at end of year		324,634	323,068

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

(a) Basis of accounting

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

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

(b) Statement of compliance

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

This is the first full year financial report based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. The financial report prepared at 30 June 2005 was based on Australian Accounting Standards applicable for periods commencing before 1 January 2005 ('AGAAP').

Other than detailed at 1(c) below, the accounting policies have been consistently applied and are consistent with those applied in the 30 June 2005 financial statements.

Reconciliations of:

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

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

(c) Summary of significant amended accounting policies

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

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

Notes to financial statements continued

Income tax

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

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

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

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

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

Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Computers	15-50%
Plant & equipment	10-25%
Building	2.5%

Impairment

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

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

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to financial statements continued

Recoverable amount of assets

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

(d) Impact of adoption of AIFRS

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

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

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

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

	Year ended 30-Jun 2005 \$
Profit after tax as previously reported (AGAAP)	211,674
Adjustments	-
Profit after tax under AIFRS	211,674

Explanation of material adjustments to the cash flow statement

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

(e) Significant accounting policies

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

Notes to financial statements continued

Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis.

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Comparative figures

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

Revenue

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

Notes to financial statements continued

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

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

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2006	2005
	\$	\$

Note 2: Revenue from ordinary activities

Operating activities

- services commissions	816,694	805,985
- other revenue	20	1,789
Total revenue from operating activities	816,714	807,774

Non-operating activities:

- interest received	30,186	32,045
- other revenue	-	-
Total revenue from non-operating activities	30,186	32,045
Total revenue from ordinary activities	846,900	839,819

Notes to financial statements continued

	2006 \$	2005 \$
Note 3: Expenses		
Employee benefits expense		
- wages and salaries	248,291	236,923
- superannuation costs	20,887	17,741
- workers' compensation costs	1,169	1,390
- other costs	13,596	(8,317)
	283,943	247,737
Depreciation of non-current assets:		
- plant and equipment	5,751	9,159
Amortisation of non-current assets:		
- intangibles	2,098	6,765
	7,849	15,924
Finance costs:		
- interest paid	4,957	2,219
Bad debts	2,501	5,716

Note 4: Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before income tax at 30%	18,105	90,505
Add tax effect of:		
- Non-deductible expenses	4,679	(495)
Current income tax expense	22,784	90,010
Income tax expense	22,784	90,010
Tax liabilities / assets		
Current tax refundable	49,447	-
Current tax payable	-	19,825

Notes to financial statements continued

	2006	2005
	\$	\$

Note 5: Auditors' remuneration

Amounts received or due and receivable by Richmond,
Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,650	3,650
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Note 6: Cash assets

Cash at bank and on hand	337,133	694,323
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Note 7: Receivables

Commission receivable	73,246	62,761
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Note 8: Property, plant and equipment

Plant and equipment

At cost	61,329	27,345
Less accumulated depreciation	(18,827)	(15,249)
	42,502	12,096

Furniture and fittings

At cost	32,240	33,872
Less accumulated depreciation	(14,149)	(16,271)
	18,091	17,601

Land

At cost	200,000	-
	200,000	-

Buildings

At cost	328,202	-
Less accumulated depreciation	-	-
	328,202	-

Total written down amount	588,795	29,697
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Notes to financial statements continued

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

Notes to financial statements continued

	2006 \$	2005 \$
Note 9: Intangible assets		
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(2,834)	(834)
	7,166	9,166
Preliminary expenses		
At cost	980	980
Less accumulated amortisation	(539)	(441)
	441	539
	7,607	9,705

Note 10: Payables

Trade creditors	57,321	39,139
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Note 11: Interest bearing liabilities

Current

Secured loans		
- Plant & equipment	7,382	-
- Land & buildings	59,488	-
	66,870	-

Non-current

Secured loans		
- Land & buildings	179,473	-

The Plant & Equipment loan was secured by a charge over the assets for which the loan was incurred. Interest is not payable on this loan. The Land & Buildings loan was secured by a charge over the freehold title for which the loan was incurred. Interest is recognised at an average rate of 7.2% (2005: n/a) .

Notes to financial statements continued

	2006	2005
	\$	\$
Note 12: Provisions		
Employee benefits	28,020	14,424
Number of employees at year end	8	5

Note 13: Share capital

400,000 Ordinary Shares fully paid of \$1 each	400,000	400,000
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Note 14: Retained earnings

Balance at the beginning of the financial year	323,068	147,394
Profit after income tax	37,566	211,674
Dividends	(36,000)	(36,000)
Balance at the end of the financial year	324,634	323,068

Note 15: Cash flow statement

(a) Reconciliation of cash

Cash assets	337,133	694,323
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(b) Reconciliation of profit after tax to

net cash provided from/(used in) operating activities

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

Notes to financial statements continued

Note 16: Director and related party disclosures

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

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

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

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

Notes to financial statements continued

Note 16: Director and related party disclosures continued

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

Executive remuneration

	Primary benefits salary & fees \$	Post employment superannuation \$	Other \$	Total \$
Mick Spruhan (Branch Manager)				
2006	-	-	-	-
2005	76,891	5,052	110	82,053
Darren Pennington (Branch Manager)				
2006	61,250	5,512	233	66,995
2005	-	-	-	-
Geoffrey Vickers (Company Secretary)				
2006	23,836	1,864	-	25,700
2005	4,069	-	-	4,069

Note 17: Subsequent events

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

Note 18: Contingent liabilities

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

Note 19: Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Warburton, Victoria.

Note 20: Corporate information

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

The registered office and principal place of business is:

3399 Warburton Highway,
Warburton, VIC 3799

Notes to financial statements continued

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

The tax rate at which dividends have been franked is 30% (2005: 30%).

Dividends proposed will be franked at a rate of 30% (2005: 30%).

Notes to financial statements continued

	2006	2005
	\$	\$

Note 22: Earnings per Share

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

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

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

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

Note 23: Financial instruments

Net fair values

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

Credit risk

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

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

Notes to financial statements continued

Note 23: Financial instruments continued

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non Interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	25,936	65,468	-	-	-	-	-	-	-	-	4.00	3.75
Term deposit	311,123	628,835	-	-	-	-	-	-	-	-	5.55	5.20
Receivables	-	-	-	-	-	-	-	-	73,246	62,761	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	57,231	39,169	N/A	N/A
Non int bearing liabilities	-	-	-	-	-	-	-	-	7,382	-	N/A	N/A
Interest bearing liabilities	238,961	-	-	-	-	-	-	-	-	-	7.20	N/A

Directors' declaration

In accordance with a resolution of the Directors of Warburton Community Financial Services Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2006.



Baden Berry

Chairman

Signed at Warburton, Victoria on 11 September 2006.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WARBURTON COMMUNITY FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Warburton Community Financial Services Limited, for the year ended 30 June 2006.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We 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 in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Warburton 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 11 September 2006

Auditor's independence declaration

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty

11 September 2006

The Directors
Warburton Community Financial Services Ltd
P O Box 170
IVANHOE VIC 3079

Dear Directors

Auditor's Independence Declaration

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



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 15 September 2005.

A. Corporate governance statement.

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

In recognising the importance of a strong corporate governance and methodology focus the Board has developed and adopted policies and procedures that will govern the Company into the future. This policy framework will assist in clarifying the future direction of the Company, provide accountability, transparency and ensure there are guiding principals in place for future decision making. The policies and principles now in place address such matters as; Asset protection, business expansion, community ownership, risk management, share trading and financial management.

B. Substantial Shareholders – ten largest Shareholders

	Ordinary Shares	Number of ord Shares
1. Mr Stanley Frederick Peate	10,000	2.50%
2. Mr Stephen Istvan Raskov	10,000	2.50%
3. Mr Richard Everitt Thorne	9,700	2.42%
4. Mr John Ridley & Mrs Patricia Ridley [Ridley Family Super Fund]	7,500	1.88%
5. Mr Noel William Arnold	7,200	1.80%
6. Allindara Pty Ltd [The Arrabri Lodge Unit Trust]	5,250	1.31%
7. Warburton Advancement League Inc	5,250	1.31%
8. Mr Gordon Stewart Buller	5,000	1.25%
9. Mrs Raylene Lesley Chisholm	5,000	1.25%
10. Mrs Lois Ellis	5,000	1.25%
	66,400	16.60%

C. Voting rights

Each Shareholder has one vote regardless of the number of shares held.

BSX report continued

D. Distribution of Shareholders

The number of Shareholders, by size of holding, is:

	Ordinary Shares	
	Number of holders	Number of Shares
1 - 1,000	238	144,700
1,001 - 5,000	82	200,400
5,001 - 10,000	8	54,900
10,001 -100,000	-	-
100,001 and over	-	-
Total	418	400,000

There are 26 Shareholders holding less than a marketable parcel of shares (\$500 in value).

E. Monitoring of the Board's performance and communication to Shareholders

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

The Board and Director's aims to ensure that Shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

The Board does have an Audit Committee.

F. Address and telephone number of the Office which securities register is kept:

Bendigo Bank Limited
Share Registry Office
Fountain Court,
Bendigo, VIC 3552

Telephone: (03) 5433 9339

G. Warburton Community Financial Services Limited

Geoffrey Vickers
Company Secretary
3399 Warburton Highway,
Warburton, VIC 3799

Telephone: (03) 59662122

Fax: (03) 59662144

