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# Chairperson's report

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For year ending 30 June 2006

I am pleased to be able to present the fourth annual report for our Company, for the year ended 30 June 2006, and take this opportunity to invite shareholders to attend the 2006 annual general meeting on 28 November 2006.

The 2006 financial year was the first year our Company generated a profit from its trading activities. Our operations for the year generated a profit of \$85,873 and are in line with our budget projections. This has reduced our total carried forward losses to \$665,903.

As a result of our improved financial performance, I look forward to being able to announce our inaugural dividend to shareholders shortly.

Your Board was pleased to announce during the 2006 year our first major community contribution – a \$25,000 grant to the George Gregan Foundation to fund the installation of an interactive carousel in the “Hero's Playground” at The Canberra Hospital. This carousel will be able to be enjoyed by children in wheelchairs.

As well as this major project, we continue to fund a range of other smaller community projects such as the Richardson Primary School art show, the Multiple Sclerosis Society of the ACT fun run/walk and Bob's Breakfast at Isabella Plains Primary School.

I remind shareholders that your shares are now listed on the Bendigo Stock Exchange (BSX) and have been issued the code “TUG.” I note that the first BSX-facilitated trades in our securities occurred during the 2006 financial year.

I again take this opportunity to thank our account holders, our 11 staff members and my Board colleagues for their ongoing support of the Calwell and Wanniasa **Community Bank**<sup>®</sup> Branches.



**Matthew J Coleman**  
**Chairman**

# Manager's report

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For year ending 30 June 2006

The branches at Calwell and Wanniasa are nearing four years of age.

As at the 15/10/2006, we have total business assets of \$94M and account holders now total 6750. We continue to average new account openings of over 100 per month.

Since my last report to shareholders, the business has grown by \$16 million and account holders by 1450.

It is quiet apparent from the business we have accumulated since inception, that we have been successful in returning banking to the Calwell and Wanniasa communities.

This success has been made possible by the level of commitment from all staff, and also the unwavering support of the Board of Directors. We have one staff member leaving us shortly, Michelle Taglieri. Michelle and her family are moving to a warmer climate in Queensland. I take this opportunity to pass on to Michelle, Brendon and family our best wishes for the future.

One sad note is the passing of Robert Yeomans in January of this year.

It is pleasing that the Company is now in a profitable position, and that we can now make some sizeable contributions back to the community.

A handwritten signature in black ink, appearing to be 'Ray Haley', written over a horizontal line.

**Ray Haley**  
**Manager**

# Bendigo Bank Ltd report

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For year ending 30 June 2006

## **Message from Bendigo Bank Group Managing Director**

Eleven years since bank conversion (and eight years since introducing **Community Bank®**) it has been extremely pleasing to announce a further improvement in our profit performance – and to demonstrate how we are able to focus on enhancing the prospects for all stakeholders and produce solid returns for shareholders.

It has taken considerable commitment and effort by the Bank and its partners, but we have built a credible Australian banking alternative which is now producing improved outcomes for customers, for communities, and for other stakeholders associated with the Bendigo Group.

Our F06 result has shown the market that we have been able to sustainably improve profit performance while also undertaking substantial investments over the past eleven years. We have done so with a consistent strategy – and, while the \$100 million net profit is a milestone for us, the market continues to remind us that this is well under that being produced by the majors. We accept this, but we are making good progress.

Our ROE (excluding significant item) was 14.2% – where the majors are currently delivering higher returns. However, we are producing improved results year-on-year, and the prospects for our Group and our partners are even greater than when we started the strategy. Therefore we have not used up our credits, taken customers and communities for granted, or cut our cost base to produce our improved shareholder returns. This gives us greater opportunity to continue our progress.

The **Community Bank®** contribution has steadily improved. It is also helping to convince the financial markets that the model has merit, and that communities across Australia are able to respond to the challenge our model ascribes to our local partners. I have maintained my consistent message – that we have great partners and have never doubted the ability of communities to respond to this difficult task.

**Community Bank®** branches have now produced 27% of the Group's business footings and are contributing around 13% of our profit. As individual sites mature, I would expect the profit contribution to move closer to the overall business volumes serviced through the **Community Bank®** network.

In the past year Bendigo Bank has paid \$76 million to **Community Bank®** sites as their share in revenue, and the majority of this revenue now stays in the local community and its economy.

Many earlier **Community Bank®** sites are now generating solid surpluses and making distributions – not only to local shareholders but to local community projects and support services. We are now also able to leverage the sustainable revenue these communities are generating to multiply the money available for community activities.

Our Community Enterprise Foundation enables gifting to be undertaken tax-effectively, and the work we have been undertaking with the various governments is also enabling us to assist in seeking match-funding to further improve the amount of money available to direct to local projects. It is most pleasing to see this occur, and I expect many new strategic initiatives and projects will be undertaken in the coming decade.

# Bendigo Bank Ltd report continued

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I am extremely proud of all of the communities who have undertaken the difficult task of launching their own **Community Bank**<sup>®</sup> branch. I also fully understand the contribution made by the local leaders who are involved in the Community Banking network for and on behalf of their communities.

It is particularly pleasing that the market is now acknowledging the strength of this model – although they are still expressing some doubt concerning our joint ability to remain united as a strong collaborative force – or whether the model will be as effective if we experience less buoyant economic times. Of course, we believe we will be able to maintain our joint commitment in whatever economic environment emerges.

We are convinced – even if this model is not being used anywhere else in the world – that the benefits for all stakeholders will be substantial and that the relationships developed in this Business & Community Partnership will be enduring.

I am confident we can remain united and committed to improve the prospects of communities – and this in turn will improve the local support for each **Community Bank**<sup>®</sup> site and strengthen the connection we have with customers and communities around Australia. This has to be good for our business – and I think the recent result is proving this.

At the Bendigo we are convinced it is possible to produce Triple Bottom Line outcomes on a sustainable basis – if the outcomes for the broader stakeholder base are a result of the particular strategy and business model rather than something pursued independently.

As our **Community Bank**<sup>®</sup> partners – and as representatives for your local communities – you are truly the local champions who are making this happen. I know how difficult it is to create a new business of any kind – let alone a new publicly-owned business shaped like the Community Enterprise that is **Community Bank**<sup>®</sup>.

I can confirm that Bendigo Bank, your business partner, is committed to the building of more prosperous local economies. If together we can build a sustainable local enterprise, we will have built a source of reliable local revenue that can be directed to the ongoing improvement of your local marketplace for many years to come.

When we built the **Community Bank**<sup>®</sup> business model we did so with great faith in community and its role in the future marketplace. Today we hold that same view – but also an ever-increasing belief that community has so much to offer in the development of the communities of the future.

We also believe that many of the things that challenge us can be addressed at the local level. I understand there is still much to be done to improve the financial outcomes for communities and for the Bendigo Group and we look forward to working with you on activities to secure our respective futures.

We will continue our efforts to identify and assist you to address many of these challenges and – on behalf of the Board and Management at Bendigo Bank – I thank you for the effort you have expended over the years on behalf of your community. We feel confident your community will profit from this effort for many years to come.

## Bendigo Bank Ltd report continued

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We have always held the belief that banks were originally formed (back in the 1400s) to help build a more prosperous village. We are confident our **Community Bank**<sup>®</sup> Business & Community Partnership is working to that same objective and that we will all benefit greatly from this joint commitment.

I wish you well in the future and pledge our ongoing support to help ensure your Community Enterprise develops into a sustainable entity and a lasting contributor to your local market.

Thanks for your efforts in F06 and for your ongoing commitment.

**Rob Hunt**  
**Managing Director**  
**Bendigo Bank Group**

18 August 2006

# Directors' report

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For year ending 30 June 2006

In respect of the year ended 30 June 2006, the Directors of Tuggeranong Valley Financial Services Limited submit the following report of the Company made out in accordance with a resolution of the Directors:

## 1. Names of Directors

The names of the Directors who have been in office for the whole of the financial year and the period up to the date of this report, except as otherwise noted below, are as follows:

M Coleman Chairman	R Kingsbury
P Strong Deputy Chairman	M Porreca
W Simpson Secretary/Treasurer	L Prior (appointed 5 June 2006)
H Chalmers (resigned 14 November 2005)	S Proctor (appointed 1 May 2006)
P Hilborn (resigned 14 November 2005)	K Saxby-Junna
G Kelly	R Yeomans (deceased 11 January 2006)

## 2. Principal activities

The principal activity of the Company is to operate **Community Bank**<sup>®</sup> branches of the Bendigo Bank under a franchise arrangement. No significant change in the nature of these activities occurred during the year.

## 3. Trading results

The profit of the Company for the year ended 30 June 2006 was \$85,873 (2005: loss of \$39,821).

## 4. Review of operations

The Company commenced operations during the 2003 financial year and has continued to expand its revenue base. The Company is still developing new business but is now in the process of recovering capital invested in its start up. The Company realised a profit of \$85,873 (2005: loss of \$39,821) for the year ended 30 June 2006. The Company's results are consistent with the expectations of the Directors.

## 5. Financial position

The Company consolidated its financial position during the year. It is now generating monthly profits and shareholder equity is increasing each month. The Company has cancelled the standby overdraft facility, which was in place at the date of the last report to shareholders, and is able to fund working capital requirements through normal operations. The Company is considered to be in a sound and improving financial position and has reserved 50% of funds required for franchise renewal due in December 2007.

## 6. Future developments, prospects and business strategies

The Company is still growing its banking business and expects to grow the business by approximately 14% in the coming financial year. The strategy for the coming 12 months is to continue to consolidate the business, use accumulated profits to replenish cash reserves with a view to declaring a dividend for shareholders and commencing a community grants scheme. The prospects for the Company are good as the Bendigo Bank

# Directors' report continued

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network continues to grow. A Bendigo Bank owned branch is approved for establishment in Belconnen. An ATM has been installed in a new shopping centre in Gungahlin. A new **Community Bank**<sup>®</sup> Branch opened in Bungendore on 28 June 2006.

## 7. Changes in the state of affairs

The Company's financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which became effective for the Company's 30 June 2006 financial report. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to the financial statements.

There were no other significant changes in the Company's state of affairs during the period.

## 8. Dividends

No dividend was paid during the financial year. Subsequent to the end of the financial year the Directors have recommended a dividend of 3.5 cents per share, unfranked.

## 9. Likely developments

There are no likely developments in the operations of the Company.

## 10. Share options

No options over issued shares or interests in the Company have been granted during or since the end of the financial year and there are no options outstanding at the date of this report.

## 11. Directors Details

### Matthew Coleman - Chairman

- Agricultural Scientist and Agricultural Economist
- National Coordinator – Business Operations, Indigenous Land Corporation
- 1994 Awarded Chevening Scholarship
- 2001 Participant in Australia-Britain Young Leaders Forum (Centenary of Federation Event)
- Member of the Governance Committee and Human Resource Committees
- 500 ordinary shares are held in the Company by the Director

### Peter Strong – Deputy Chairman

- Owns and operates Smiths Alternative Bookshop in the CBD of Canberra
- Member of the Australian Institute of Training and Development
- Also operates a consulting business involved with the community capacity building, human resource management and research activities for Australian Government departments, community based organisations, the World Bank and the United Nations
- Past member of various community based committees and Boards including education centres, skills and employment organisations and private hospitals
- Member of the Human Resources Committee



# Directors' report continued

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## **Wayne Simpson – Secretary/Treasurer**

- Consultant with 20 years experience in banking and small business
- Member of the Australian Institute of Company Directors
- Member of Governance Committee, Marketing Sponsorship & Business Development Committee
- Member of Board of Respite Care ACT Inc.
- Member of the Board Hartley Lifecare Inc.
- Employed by Bendigo Bank Limited as Regional Manager for South West NSW
- 2,501 ordinary shares are held in the Company by the Director and a related entity

## **George Kelly**

- Real Estate Agent and life member of Real Estate Institute of the ACT for over 30 years
- Member of Canberra Valley Lions Club for over 37 years
- Awarded Malvern Jones Fellow from Lions International in 1991
- Awarded Order of Australia 1997
- Member of Marketing, Sponsorship and Business Development Committee
- 501 ordinary shares are held in the Company by the Director and related parties

## **Ronald Kingsbury**

- Chairman of Lions Youth Haven Inc.
- Chairman of Respite Care ACT Inc.
- Member of Canberra Woden Lions Club
- Past District Governor Lions Clubs International
- Life Member Lions Clubs International
- Past Board Member of Community Organisations, Council on the Ageing, Handy Help ACT Inc., Carers Association ACT Inc.
- Awarded Order of Australia 2003
- Member of the Audit and Governance Committees

## **Maria Porreca**

- Company Director, Porreca Homes Pty Limited
- Involved in building industry in ACT for over 30 years
- Member of Audit Committee
- 1,001 ordinary shares are held in the Company by the Director and related parties

## **Lance Prior**

- Group Club Manager, Eastlake Football Club Ltd
- 18 Years experience in ACT Club Industry, including management of Community Engagement activities and Community Grants Schemes
- Chair of the Marketing, Sponsorship and Business Development Committee

# Directors' report continued

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## **Susan Proctor**

- Solicitor and partner Bradley Allen Solicitors
- Member of the Property Council of Australia serving on the Planning and Marketing Committees
- Chair of the Human Resource Committee

## **Kerry Saxby-Junna**

- Three times Australian Olympic Representative (Walking)
- Two times Commonwealth Games Representative (gold & silver medals)
- World Indoor Champion and World Championship Medallist
- Awarded Order of Australia 1992
- Former Australian Sports Person of the Year and other awards
- Member of the Marketing, Sponsorship and Business Development Committee

## **12. Remuneration report**

In setting the remuneration policy of Tuggeranong Valley Financial Services Ltd, the Board recognises the Company has been formed to govern the **Community Bank**<sup>®</sup> branches, as it returns banking services to the community, provides a return to community projects and the shareholders who contributed the initial capital.

The legal and moral obligations of the Board are onerous, as is the time contributed by the Board on the ongoing governance of the Company. In recognition of this, the Board may be remunerated for its efforts, at the Board's discretion.

The remuneration will be subject to the following:

- Consultation with shareholders prior to a recommendation being made by the Board.
- The amount payable to Directors being ratified by shareholders at the Annual General Meeting.
- Directors' remuneration is made in line with the philosophies of community banking.

The remuneration for the specified executive is arrived at after consultation with Bendigo Bank and is set in line with the employees peers in the bank network. At this stage performance payments are not a part of the remuneration package however the use of this form of remuneration may be considered in the future.

## Directors' report continued

The remuneration for each Director and each of the executive Officers of the Company during the year was as follows:

Directors	Salary, fees & commissions \$	Superannuation contributions \$	Cash bonus \$	Non-cash benefits \$	Total \$
H Chalmers	Nil	Nil	Nil	362	362
M Coleman	500	Nil	Nil	363	863
P Hilborn	Nil	Nil	Nil	362	362
G Kelly	500	Nil	Nil	363	863
R Kingsbury	500	Nil	Nil	363	863
M Porreca	500	Nil	Nil	363	863
L Prior	500	Nil	Nil	363	863
S Proctor	500	Nil	Nil	362	862
K Saxby-Junna	500	Nil	Nil	362	862
W Simpson	6,500	Nil	Nil	363	6,863
P Strong	500	Nil	Nil	363	863
R Yeomans	Nil	Nil	Nil	363	363
	<b>10,500</b>	<b>Nil</b>	<b>Nil</b>	<b>4,352</b>	<b>14,852</b>

Directors	Salary, fees & commissions \$	Superannuation contributions \$	Cash bonus \$	Non-cash benefits \$	Total \$
R Haley	78,966	7,106	-	363	86,435
	<b>78,966</b>	<b>7,106</b>	<b>-</b>	<b>363</b>	<b>86,435</b>

### Employment contracts of Directors and senior Executives

During the financial year payments totaling \$6,000 were made to Director - Wayne Simpson, through his Company, Contract Service Solutions (Aust) Pty Ltd, for management consulting services provided under normal terms and conditions. The Company pays \$500 per month for these services and they may be terminated at anytime without notice.

Other than the payments to Contract Service Solutions (Aust) Pty Ltd, there are no formal contracts with the Company to which a Director is a party or receives a benefit.

The employment conditions of Ray Haley are formalised in a contract of employment and he is a permanent employee of the Company. The contract has no specified duration. The contract specifies a notice period in accordance with the Workplace Relations Act 1996.

Termination payments are also in terms of the same Act.

## Directors' report continued

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### 13. Board meetings

The Board met on 11 occasions during the year ended 30 June 2006. The number of meetings attended by each Director while in office was:

<b>Name of Director</b>	<b>No of meetings eligible to attend</b>	<b>No of meetings attended</b>
H Chalmers	5	4
M Coleman	11	10
P Hilborn	2	-
G Kelly	11	7
R Kingsbury	11	10
M Porreca	11	11
L Prior	1	1
S Proctor	2	2
K Saxby-Junna	11	10
W Simpson	11	11
P Strong	11	7
R Yeomans	6	5

## Directors' report continued

### 14. Committee meetings

The Board members also participate on various committees. Details of the number of meetings attended by each Director while in office was:

Name of Director	Audit committee		Governance committee		Marketing, sponsorship and business development committee		Human resources committee	
	# of eligible meetings	# of meetings attended	# of eligible meetings	# of meetings attended	# of eligible meetings	# of meetings attended	# of eligible meetings	# of meetings attended
H Chalmers	-	-	2	2	-	-	1	1
M Coleman	-	-	1	1	-	-	1	1
P Hilborn	-	-	-	-	-	-	-	-
G Kelly	-	-	-	-	7	4	-	-
R Kingsbury	1	1	-	-	6	4	-	-
M Porreca	-	-	-	-	7	7	-	-
L Prior	-	-	-	-	-	-	-	-
S Proctor	-	-	-	-	-	-	-	-
K Saxby-Junna	-	-	-	-	7	5	-	-
W Simpson	2	2	2	2	-	-	1	1
P Strong	-	-	1	1	-	-	2	2
R Yeomans	1	1	2	2	-	-	1	1

### 15. Events subsequent to balance date

Since the end of the year the Directors are not aware of any matter or circumstance not otherwise dealt with in the report or financial statements that has 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 subsequent financial years. The Company has recommended a dividend of 3.5cents per share, (unfranked), to be paid in January 2007.

### 16. Insurance of Officers

During the financial year a premium of \$4,715 (2005: \$4,715) was paid to insure the Directors and Officers of the Company against liabilities for costs and expenses incurred by them in defending any legal

## Directors' report continued

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proceedings arising out of their conduct while acting in the capacity of Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

### **17. Company information**

Tuggeranong Valley Financial Services Limited is incorporated under the Corporations Act 2001 as a public Company limited by shares. The Company's ordinary shares are quoted on the Bendigo Stock Exchange. The Company is incorporated and domiciled in Australia. Its registered office is c/- Bradley Allen Lawyers, Level 9, Canberra House, 40 Marcus Clarke Street, Canberra City, ACT and its principal places of business are located at Unit 13 & 14, Wanniasa Shopping Centre, Sangster Place, Wanniasa, ACT and Shop 19, Calwell Shopping Centre, Weber Crescent, Calwell, ACT.

At 30 June 2006 the Company had 9 (2005: 8.25) full time equivalent employees.

### **18. Non-Audit services**

The Auditor did not provide any non-audit services to the Company during the financial year.

### **19. Auditor's independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this Directors' Report.

Signed at Canberra this 22 October 2006, in accordance with a resolution of the Board of Directors.



**Matthew J Coleman**  
**Chairman**



**Wayne Simpson**  
**Treasurer**

# Financial statements

## Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>Current assets</b>			
Cash and cash equivalents	4	82,098	139
Trade and other receivables	5	94,591	74,891
<b>Total current assets</b>		<b>176,689</b>	<b>75,030</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	269,641	297,179
Other assets	7	31,426	58,194
<b>Total non-current assets</b>		<b>301,067</b>	<b>355,373</b>
<b>Total assets</b>		<b>477,756</b>	<b>430,403</b>
<b>Current liabilities</b>			
Trade and other payables	8	61,039	65,254
Borrowings	9	16,314	40,131
Provisions	10	28,283	23,708
<b>Total current liabilities</b>		<b>105,636</b>	<b>129,093</b>
<b>Non-current liabilities</b>			
Trade and other payables	8	30,016	33,008
Borrowings	9	-	12,071
<b>Total non-current liabilities</b>		<b>30,016</b>	<b>45,079</b>
<b>Total liabilities</b>		<b>135,652</b>	<b>174,172</b>
<b>Net assets</b>		<b>342,104</b>	<b>256,231</b>
<b>Equity</b>			
Issued capital	11	1,008,007	1,008,007
Accumulated losses		(665,903 )	(751,776 )
<b>Total equity</b>		<b>342,104</b>	<b>256,231</b>

The accompanying notes form part of these financial statements.

## Financial statements continued

### Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
<b>Revenues</b>			
Fee income		934,023	724,354
Bank interest		411	20
Sundry income		50	336
<b>Total revenue</b>		<b>934,484</b>	<b>724,710</b>
<b>Expenditure</b>			
Administration and general costs		93,441	84,091
Amortisation of franchise and establishment costs		26,768	26,768
ATM costs		28,819	27,757
Audit and accounting fees		29,893	15,205
Depreciation		27,538	27,441
Employment costs (excluding superannuation)		420,117	370,924
Superannuation		34,791	28,607
Insurance		16,672	15,653
Finance costs		1,091	1,314
IT costs		43,073	45,616
Motor vehicle costs		6,288	4,779
Occupancy costs excluding rental		24,962	28,943
Printing and stationery		17,783	11,876
Rental expense on operating leases		77,375	75,557
Total expenses		848,611	764,531
<b>Profit/(loss) before income tax expense</b>		<b>85,873</b>	<b>(39,821)</b>
Income tax expense	3	-	-
<b>Profit/(loss) for the year</b>		<b>85,873</b>	<b>(39,821)</b>
Basic earnings per share (cents per share)	19	8.52	(3.95)
Diluted earnings per share (cents per share)	19	8.52	(3.95)

The accompanying notes form part of these financial statements.



# Financial statements continued

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## Statement of changes in equity

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>Issued capital</b>			
Balance at the beginning of the year		1,008,007	1,008,007
Shares issued during the year		-	-
<b>Balance at the end of the year</b>		<b>1,008,007</b>	<b>1,008,007</b>
<b>Accumulated losses</b>			
Balance at the beginning of the year		(751,776)	(711,955)
Profit/(loss) for the year		85,873	(39,821)
<b>Balance at the end of the year</b>		<b>(665,903)</b>	<b>(751,776)</b>

The accompanying notes form part of these financial statements.

# Financial statements continued

## Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Receipts from customers and others		1,007,826	769,020
Interest received		411	20
Payments to suppliers and employees		(889,299)	(773,944)
Finance costs		(1,091)	(1,314)
<b>Net cash provided by (used in) operating activities</b>	<b>12(b)</b>	<b>117,847</b>	<b>(6,218)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(750)
<b>Net cash provided by (used in) investing activities</b>		<b>-</b>	<b>(750)</b>
<b>Cash flows from financing activities</b>			
Loans (to)/from shareholders/directors		-	(49,000)
Repayment of lease liabilities		(4,591)	(4,345)
<b>Net cash provided by (used in) financing activities</b>		<b>(4,591)</b>	<b>(53,345)</b>
Net increase/(decrease) in cash		113,256	(60,313)
Cash at the beginning of financial year		(35,401)	24,912
<b>Cash at the end of financial year</b>	<b>12(a)</b>	<b>77,855</b>	<b>(35,401)</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ending 30 June 2006

## Note 1: Summary of significant accounting policies

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

Tuggeranong Valley Financial Services Limited (the Company) is a public Company limited by shares, incorporated and domiciled in Australia. The financial report covers the Company as an individual entity. The Company's ordinary shares are quoted on the Bendigo Stock Exchange.

The financial report of the Company complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### **Basis of preparation**

#### First time Adoption of Australian Equivalents to International Financial Reporting Standards

The financial statements have been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of the Company to be prepared in accordance with Australian equivalents to AIFRS.

Reconciliations of the transition from previous Australian GAAP to AIFRS have been included in Note 2 to this report.

#### Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### **Accounting policies**

#### **a. Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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

### **b. Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable any accumulated depreciation and impairment losses.

Where a revaluation has been performed, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The carrying amount of property, plant and equipment is reviewed at each balance sheet date to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs (eg. repairs and maintenance) are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of assets are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity. All other decreases are charged to the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### **Depreciation**

The depreciable amounts of all fixed assets including capitalised leased assets are depreciated on either a straight line or diminishing value basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

### **c. Capitalised costs**

Costs incurred to establish the business and franchise arrangements are capitalised and amortised on a straight line basis over the period in which the benefits are realised from the costs incurred. The capitalised costs are amortised over a period of 5 years.

### **d. Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability at the lower of the amounts equal to the fair value of the leased asset or the present value of the minimum lease payments, including any guaranteed residual. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated over their estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### **e. Financial instruments**

#### **Recognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

### **Financial assets at fair value through profit and loss**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

### **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments and are stated at amortised cost using the effective interest rate method.

### **Held-to-maturity investments**

These investments have fixed maturities, and it is the intention to hold these investments to maturity. Any held-to-maturity investments held are stated at amortised cost using the effective interest rate method.

### **Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

### **Financial liabilities**

Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

### **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

### **Impairment**

At each reporting date, an assessment is made of whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

### **f. Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash generating unit (CGU) to which the asset belongs is estimated.

### **g. Employee benefits**

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. The benefits expected to be settled within one year to employees for their entitlements have been measured at the amounts expected to be paid including oncosts and are disclosed as current liabilities. Employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made in respect of those benefits. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data.

### **h. Provisions**

Provisions are recognised when the Company has a legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will result and that the outflow can be reliably measured.

### **i. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

### **j. Revenue**

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

# Notes to financial statements continued

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## Note 1: Summary of significant accounting policies continued

### **k. Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **l. Comparatives**

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

### **Critical accounting estimates and judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

The Directors do not believe that there were any key estimates or key judgements used in the development of the financial report that give rise to a significant risk of material adjustment in the future.

## Note 2: First time Adoption of Australian Equivalents to International Financial Reporting Standards

The Directors have assessed that there is no impact on equity or profit and cash flows as reported under previous Australian Generally Accepted Accounting Principles as a result of adopting AIFRS.



## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 3: Income tax expense

(a) The components of tax expense are:

Current tax	33,624	(8,359)
Deferred tax	(1,879)	2,396
Tax losses not recognised	-	8,359
Tax losses recouped	(33,624)	-
Temporary difference not recognised	1,879	(2,396)

(b) The amount of income tax attributable to the financial year differs from the amount prima facie payable on the profit/ (loss) for the year.

The differences are reconciled as follows:

Prima facie income tax expense/(benefit) on profit/(loss) from ordinary activities at 30% (2005: 30%)	25,762	(11,946)
Tax effect of permanent differences	5,983	5,983
Tax effect of temporary differences not recognised	1,879	(2,396)
Tax effect of tax losses not recognised	-	8,359
Tax effect of tax losses recouped	(33,624)	-

(c) Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

Tax losses	154,473	188,097
Temporary difference	14,646	12,767
	<b>169,119</b>	<b>200,864</b>

The benefits from these deferred tax assets will only be recognised in accordance with the accounting policy outlined in Note 1a.

## Notes to financial statements continued

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Note 4: Cash and cash equivalents</b>		
Cash on hand	806	139
Cash at bank	81,292	-
	<b>82,098</b>	<b>139</b>

### Note 5: Trade and other receivables

<b>Trade debtors</b>	<b>94,591</b>	<b>74,891</b>
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### Note 6: Property, plant and equipment

Fixtures and fittings – at cost	341,433	341,433
Less accumulated depreciation	(83,293)	(60,227)
	<b>258,140</b>	<b>281,206</b>
Leased motor vehicle – at cost	26,739	26,739
Less accumulated depreciation	(15,238)	(10,766)
	<b>11,501</b>	<b>15,973</b>
	<b>269,641</b>	<b>279,179</b>

#### (a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

	<b>Balance at beginning of year</b>	<b>Additions</b>	<b>Disposals</b>	<b>Depreciation expense</b>	<b>Carrying amount at end of year</b>
Fixtures and fittings	281,206	-	-	(23,066)	258,140
Leased motor vehicle	15,973	-	-	(4,472)	11,501
	297,179	-	-	(27,538)	269,641

#### (b) Depreciation rates and methods

<b>Class of asset</b>	<b>Useful life</b>	<b>Depreciation method</b>
Fixtures and fittings	4 to 15 years	Straight line
Leased motor vehicle	6 years	Straight line

## Notes to financial statements continued

	2006 \$	2005 \$
<b>Note 7: Other assets</b>		
Franchise and business establishment costs	134,208	134,208
Less accumulated amortisation	(102,782)	(76,014)
	<b>31,426</b>	<b>58,194</b>
<b>Movement in carrying amounts</b>		
Balance at the beginning of the year	58,194	84,962
Additions	-	-
Disposals	-	-
Amortisation for the year	(26,768)	(26,768)
<b>Balance at the end of the year</b>	<b>31,426</b>	<b>58,194</b>

## Note 8: Trade and other payables

### Current

Trade creditors and accruals	44,207	47,852
Net GST payable	13,832	14,402
Lease incentive	3,000	3,000
	<b>61,039</b>	<b>65,254</b>

### Non-current

Lease incentive	30,016	33,008
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## Note 9: Borrowings

### Current

Bank overdraft/credit facilities	4,243	35,540
Lease liabilities (Note 16)	12,071	4,591
	<b>16,314</b>	<b>40,131</b>

### Non-current

Lease liabilities (Note 16)	-	12,071
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Lease liabilities are secured by the assets under lease.

The bank overdraft was not secured. The Company has a credit card facility of \$5,000.

\$757 of this facility is unused at 30 June 2006.

## Notes to financial statements continued

	2006	2005
	\$	\$

### Note 10: Provisions

#### Current

Provision for employee benefits	28,283	23,708
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### Note 11: Issued capital

1,008,007 (2005: 1,008,007) fully paid ordinary shares	1,008,007	1,008,007
Shares issued during the year	-	-
<b>1,008,007 shares at the end of the year</b>	<b>1,008,007</b>	<b>1,008,007</b>

Ordinary shares participate in dividends and the proceeds on winding up in proportion to the number of shares held, subject to certain distribution limits contained in the Franchise Agreement with Bendigo Bank.

At shareholder meetings each person present as a member, attorney, and corporate representative or by proxy, has one vote regardless of the number of shares held.

The Company has no specified authorised share capital and ordinary shares have no par value.

### Note 12: Cash flow information

#### a) Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

Cash at bank	81,292	-
Bank overdraft/credit facilities	(4,243)	(35,540)
Cash on hand	806	139
	<b>77,855</b>	<b>(35,401)</b>

## Notes to financial statements continued

	2006	2005
	\$	\$
<b>Note 12: Cash flow information continued</b>		
b) Reconciliation of net cash flows from operating activities to profit/(loss)		
Profit/(loss) for the year	85,873	(39,821)
Amortisation	26,768	26,768
Depreciation	27,538	27,441
Increase/(decrease) in provisions	4,575	(5,121)
(Increase)/decrease in trade and other receivables	(19,700)	(22,594)
Increase/(decrease) in trade and other payables	(7,207)	7,109
	<b>117,847</b>	<b>(6,218)</b>

### c) Non-cash financing activities

There were no non-cash financing activities during the year ended 30 June 2006 (2005: \$nil).

## Note 13: Segment information

The Company operates in the financial services industry within the Australian Capital Territory.

## Note 14: Financial instruments

### (a) Terms, conditions and accounting policies

The accounting policies and terms and conditions of each class of financial asset, financial liability and equity instrument at the balance date are consistent with those regularly adopted by businesses in Australia.

### (b) Financial risk management

The financial instruments consist mainly of deposits with banks, short term investments and accounts receivable and payable. The Company does not trade or speculate in derivatives.

The main purpose of the financial instruments is to raise funds for normal activities and invest excess funds in an appropriate manner.

### (i) Financial risk

The main risks the entity is exposed to through its financial instruments are liquidity risk, credit risk and interest rate risk. The entity is not exposed to foreign currency risks or material price risks.

## Notes to financial statements continued

### Note 14: Financial instruments continued

#### Liquidity risk

The liquidity risk is managed by monitoring forecast cash flows and ensuring that adequate short term funds are maintained.

#### Credit risk

The maximum exposure to credit risk at balance date in respect of recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. This risk is monitored and managed by management reviewing financial assets and ensuring collections are made on a timely basis and that unacceptable concentrations of credit risk are avoided.

#### Interest rate risk

The entity's exposure to interest rate risk is managed by the entity reviewing the interest rate profile, current interest rates and the market outlook, and taking action as necessary to ensure that risk levels are maintained at a satisfactory level. The entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

Financial instrument	Fixed interest rate maturing in								Weighted average effective interest rate	
	Floating interest rate		1 year or less		Over 1 to 5 years		Non Interest bearing		2006	2005
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>										
Cash and cash equivalents	46,039	-	35,253	-	-	-	8	1	82,098	139
Trade and other receivables	-	-	-	-	-	-	- 94,5	74,89	94,591	74,891
	<b>46,039</b>	<b>-</b>	<b>35,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,3</b>	<b>75,0</b>	<b>176,689</b>	<b>75,030</b>
Weighted average interest rate	0.05%	-	-	-	-	-	n/a	n/a		

## Notes to financial statements continued

### Note 14: Financial instruments continued

Financial instrument	Fixed interest rate maturing in								Weighted average effective interest rate	
	Floating interest rate		1 year or less		Over 1 to 5 years		Non Interest bearing			
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial Liabilities</b>										
Trade and other payables	-	-	-	-	-	-	44,2	47,8	44,207	47,852
Borrowings	4,243	35,540	-	-	-	-			4,243	35,540
Lease Liabilities	-	-	12,071	4,591	-	12,071			12,071	16,662
	<b>4,243</b>	<b>35,540</b>	<b>12,071</b>	<b>4,591</b>	<b>-</b>	<b>12,071</b>	<b>44,207</b>	<b>47,852</b>	<b>60,521</b>	<b>100,054</b>
Weighted average interest rate	16.9%	1.5%	7.0%	7.0%	-	7.0%	n/a	n/a		
<b>Net financial assets/(liabilities)</b>									<b>116,168 (25,024)</b>	

### (c) Net Fair Values

Financial assets and financial liabilities are carried at their net fair value at balance date. The carrying value of financial assets and financial liabilities approximates their net fair values due to their short terms to maturity or market interest rates. No financial assets or financial liabilities are traded on organised markets in standardised form.

	2006	2005
	\$	\$

### Note 15: Auditors' remuneration

Remuneration of the Auditor of the Company for:

- audit of financial report	11,300	6,700
- review of the financial report	8,000	-
- wages declaration audit	400	-
	19,700	6,700

## Notes to financial statements continued

	2006 \$	2005 \$
<b>Note 16: capital and leasing commitments</b>		
a) Finance lease commitments		
Payable		
-not later than 1 year	12,572	5,659
-later than 1 year but not later than 5 years	-	12,660
Minimum lease payments	12,572	18,319
Less future finance charges	(501)	(1,657)
Total lease liabilities	12,071	16,662
Represented by - Current liability	12,071	4,591
- Non-current liability	-	12,071
	<b>12,071</b>	<b>16,662</b>

The finance lease relates to the lease of a motor vehicle, which commenced in 2003.

The lease is for 4 years with an option to purchase at the end of the term. Lease payments are paid monthly in advance. No contingent rental is payable and the liability is secured by the asset under lease.

### b) Non-cancellable operating lease commitments

Payable		
- not later than 1 year	77,000	77,000
- later than 1 year but not later than 5 years	20,833	97,833
<b>Total non-cancellable lease commitment</b>	<b>97,833</b>	<b>174,833</b>

The operating leases relate to the premises at Calwell and Wanniasa. The Calwell lease is for a term of 15 years commencing 1 September 2002 with an initial non-cancellable period to 31 August 2007. The Wanniasa lease is for an initial term of 5 years commencing 1 December 2002, with two, five year options. Rent on both leases is payable monthly in advance. Contingent rental provisions within the lease agreements require lease payments to be increased either by CPI or to market in each year.



## Notes to financial statements continued

### Note 17: Key management personnel

Key management personnel is defined by AASB 124 "Related Party Disclosures" as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director of the entity.

The names and positions held by key management personnel in office at any time during the financial are:

Key Management Person	Position
H Chalmers	Director – Company Secretary (resigned 14/11/2005) Nonexecutive
M Coleman	Director – Chairman - Non-executive
P Hilborn	Director – (resigned 14/11/2005) Non-executive
G Kelly	Director – Non-executive
R Kingsbury	Director – Non-executive
M Porreca	Director – Non-executive
L Prior	Director – Non-executive
S Proctor	Director – Non-executive
K Saxby-Junna	Director – Non-executive
W Simpson	Director – Company Secretary/Treasurer – Non-executive
P Strong	Director – Non-executive
R Yeomans	Director – Chairman (deceased 11/1/2006) – Non-executive
R Haley	Business Development Manager

#### Key management personnel compensation

The compensation for each key management person of the Company was as follows:

Key management person	Salary, fees & commissions		Superannuation contributions		Non-cash benefits		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
H Chalmers	-	500	-	-	362	393	362	893
M Coleman	500	500	-	-	363	393	863	893
M Crozier	-	-	-	-	-	392	-	392
R Haley	78,966	74,701	7,106	6,723	363	393	86,435	81,817
P Hilborn	-	500	-	-	362	393	362	893
G Kelly	500	500	-	-	363	393	863	893
R Kingsbury	500	500	-	-	363	393	863	893
M Porreca	500	500	-	-	363	393	863	893
L Prior	500	-	-	-	362	-	862	-
S Proctor	500	-	-	-	362	-	862	-

## Notes to financial statements continued

### Note 17: Key management personnel continued

Key management person	Salary, fees & commissions		Superannuation contributions		Non-cash benefits		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$
K Saxby-Junna	500	500	-	-	363	393	863	893
W Simpson	6,500	6,500	-	-	363	393	6,863	6,893
P Strong	500	500	-	-	363	393	863	893
R Yeomans	-	500	-	-	363	393	363	893
	<b>89,466</b>	<b>85,701</b>	<b>7,106</b>	<b>6,723</b>	<b>4,715*</b>	<b>4,715*</b>	<b>101,287</b>	<b>97,139</b>

\* Non-cash benefits relate to Directors' and Officers' liability insurance paid on behalf of all Directors and Officers of the Company.

The salary, fees and commissions for Mr Wayne Simpson include payments totalling \$6,000 (2005: \$6,000) to a related entity, Contract Service Solutions (Aust) Pty Ltd for management consulting services provided under normal commercial terms and conditions. The Company pays \$500 per month for those services and they may be terminated at any time without notice.

The legal firm Bradley Allen Lawyers, of which Mr Hugh Chalmers, Resigned Director, and Susan Proctor, Director are Partners or former Partners, provides the registered office for the Company on normal commercial terms for an annual fee of \$295.

Other than the payments to Contract Service Solutions (Aust) Pty Ltd and Bradley Allen Lawyers, there are no formal contracts with the Company to which a Director is a party or receives a benefit.

The employment conditions of Mr Ray Haley are formalised in a contract of employment and he is a permanent employee of the Company. The contract has no specific duration. The contract specifies a notice period in accordance with the Workplace Relations Act 1996. Termination payments are also in terms of the same Act.

#### Remuneration practices

In setting the remuneration policy of Tuggeranong Valley Financial Services Ltd, the Board recognises the Company has been formed to govern the **Community Bank**<sup>®</sup> branch as it returns banking services to the community, provides a return to community projects and the shareholders who contributed the initial capital.

The legal and moral obligations of the Board are onerous, as is the time contributed by the Board on the ongoing governance of the Company. In recognition of this, the Board may be remunerated for its efforts, at the Board's discretion.

## Notes to financial statements continued

### Note 17: Key management personnel continued

The remuneration will be subject to the following:

- Consultation with shareholders prior to a recommendation being made by the Board.
- The amount payable to Directors being ratified by shareholders at the Annual General Meeting.
- Directors' remuneration is made in line with the philosophies of community banking.

The remuneration for the Business Development Manager is arrived at after consultation with Bendigo Bank and is set in line with the employee's peers in the bank network.

At this stage performance payments are not a part of the remuneration package however the use of this form of remuneration may be considered in the future.

#### Shares held by key management personnel

The number of ordinary shares of the Company held by key management persons, or their related parties are as follows:

Key Management Person	Balance 1/7/05	Received as remuneration	Net change other*	Balance 30/6/06
H Chalmers	3,000	-	-	3,000
M Coleman	500	-	-	500
P Hilborn	5,000	-	-	5,000
G Kelly	501	-	-	501
R Kingsbury	-	-	-	-
M Porreca	1,001	-	-	1,001
L Prior	-	-	-	-
S Proctor	-	-	-	-
K Saxby-Junna	-	-	-	-
W Simpson	2,501	-	-	2,501
P Strong	-	-	-	-
R Yeomans	5,001	-	-	5,001
R Haley	600	-	-	600

\* Net change other refers to shares purchased or sold during the financial year

## Notes to financial statements continued

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### Note 17: Key management personnel continued

#### Other transactions of key management personnel

There were no other transactions with key management personnel or their related entities other than for the reimbursement of costs incurred on behalf of the Company and banking transactions undertaken on normal commercial terms.

### Note 18: Related party transactions

There were no related party transactions during the financial year apart from those relating to Key Management Personnel, which are separately disclosed in this report.

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>

### Note 19: Earnings per share

#### (a) Reconciliation of Earnings to Net Profit or Loss

Net Profit/(Loss)	85,873	(39,821)
Earnings used in the calculation of basic EPS	85,873	(39,821)
Earnings used in the calculation of diluted EPS	85,873	(39,821)

	<b>2006</b>	<b>2005</b>
	<b>No</b>	<b>No</b>

(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,008,007	1,008,007
(c) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	1,008,007	1,008,007

### Note 20: Economic dependency

A significant portion of the income of the Company is obtained under the Franchise Agreement with Bendigo Bank.

### Note 21: Contingent liabilities and contingent assets

The Company has no contingent liabilities or assets at the end of the financial year.

## Notes to financial statements continued

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### Note 22: Events after the balance sheet date

This financial report was authorised for issue by the Directors on the date of signing the attached Directors' Declaration. The Directors of the Company have the power to amend the financial statements after issue.

Subsequent to the end of the financial year, the Directors have recommended an unfranked dividend of 3.5 cents per share. The dividend is expected to be paid in January 2007.

There are no other events after the balance sheet date which require amendment of, or further disclosure in, the financial report.

### Note 23: Change in accounting policy

A number of Australian Accounting Standards have been issued or amended prior to the date of this report but are only applicable to future reporting periods and accordingly have not been applied in preparing this financial report.

The Directors are of the opinion that when the relevant Accounting Standards are first applied, there will be no material impact on the accounting policies of the Company and no material impact on the income statement or balance sheet of the Company.

# Directors' declaration

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The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 10 to 31, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company;
2. the persons performing the Chief Executive Officer and Chief Finance Officer functions have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



**Matthew J Coleman**  
**Chairman**



**Wayne Simpson**  
**Treasurer**

Canberra, 22 October 2006

# Independent audit report

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Independent Audit Report to the Members of Tuggeranong Valley Financial Services Limited

## Scope

We have audited the financial report of Tuggeranong Valley Financial Services Limited (the Company) for the financial year ended 30 June 2006 comprising the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement, Notes to the Financial Statements and the Directors' Declaration. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis. In conducting our audit we followed applicable independence requirements of Australian professional and ethical pronouncements and the Corporations Act 2001.

## Audit Opinion

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



**Duesburys Nexia**



**R C Scott**  
**Partner**

Canberra, 22 October 2006

# Auditor's independence declaration

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Auditor's independence declaration under Section 307c of the Corporations Act 2001 to the Directors of Tuggeranong Valley Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- i. no contraventions of the independence requirements of the Corporations Act in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



**Duesburys Nexia**



**R C Scott**  
**Partner**

Canberra, 22 October 2006



# 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 31 July 2006.

## 1. Distribution of equity securities

	<b>Number of Holders</b>	<b>Number of Shares</b>
1 – 1,000	287	193,556
1,001 – 5,000	97	285,451
5,001 – 10,000	11	94,000
10,001 – 100,000	10	435,000
100,000 and over	0	0
	<b>405</b>	<b>1,008,007</b>

There are currently four shareholders holding less than a marketable parcel of shares.

Their holdings total 4 shares.

## 2. Ten largest shareholders

The names of the ten largest shareholders of quoted shares are:

	<b>Listed ordinary Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Shares held</b>
AI & CI Pty Ltd ATF AI & CI Family	90,000	8.93%
Balesost Pty Ltd ATF Cairns Super Fund	80,000	7.94%
Muskdown Pty Ltd ATF Tall Super Fund	70,000	6.94%
Tsoulias Group	50,000	4.96%
Shorerain ATF Wright Super Fund	40,000	3.97%
P Downing	25,000	2.48%
R K Meyer	20,000	1.98%
B Owers	20,000	1.98%
J R Rivers & C Rivers	20,000	1.98%
R & M Tall	20,000	1.98%
<b>Total</b>	<b>435,000</b>	

# BSX report continued

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### 3. Voting rights

Each shareholder has one vote, regardless of the number of shares held.

### 4. Corporate Governance Statement

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

The Board recognises the importance of a strong corporate governance focus and methodology. The Board has formulated and adopted various policies and procedures governing the Company's activities. It is continuing a program to develop, extend and review its policies and procedures. This policy framework will assist to clarify the future direction of our Company, provide accountability and transparency and ensure there are guiding principles in place for future decision-making.

#### Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise not less than three Directors and a maximum of 10; and
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position
Matthew John Coleman	Chairman
Peter James Strong	Deputy Chairman
Wayne Joseph Simpson	Secretary/Treasurer
George William Kelly	Director
Maria Grazia Porreca	Director
Ronald Alfred Kingsbury	Director
Kerry Anne Saxby-Junna	Director
Susan Proctor	Director
Lance Prior	Director

# BSX report continued

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## **Board Committees**

The Board has established the following committees:

- Audit Committee;
- Governance Committee;
- Marketing Sponsorship and Business Development Committee; and
- Human Resources Committee.

Details of the Board members of each committee are in the Director's Report.

## **Board responsibilities**

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Board approval of a business plan, which encompasses the entity's vision, mission and values statements, designed to meet stakeholders' needs and manage business risk;
- The business plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for significant business processes;
- Procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

## **Monitoring of the Board's performance and communication to shareholders**

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- Newsletters to shareholders;
- The annual report which is distributed to all shareholders; and
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

## BSX report continued

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### **5. Name of Company Secretary**

Wayne Joseph Simpson

### **6. Address and telephone number of registered office**

C/- Bradley Allen Lawyers, Level 9 Canberra House, 40 Marcus Clarke Street, Canberra, ACT 2600.  
Phone (02) 6274 0999.

### **7. Address and telephone number of administrative office**

Calwell **Community Bank**<sup>®</sup> Branch, Shop 19, Calwell Shopping Centre, Calwell, ACT 2905.  
Phone (02) 6291 3385.

### **8. Address and telephone number of office at which securities register is kept**

Bendigo Bank Limited, Share Registry Office, Fountain Court, Bendigo VIC 3552.  
Phone (03) 5433 9339.

### **9. Trading history**

The trading history for the year ended 30 June 2006 for the Tuggeranong Valley Financial Services Limited is available on the BSX website at [www.bsx.com.au](http://www.bsx.com.au)