

Contents

Chairperson's report	2-3
Manager's report	4
Treasurer's report	5
Directors' report	6-10
Financial statements	11-14
Notes to the financial statements	15-27
Directors' declaration	28
Independent audit report	29-30
Auditor's independence declaration	31

Chairperson's report

For year ending 30 June 2006

It's been another eventful year for our banking venture. Earlier this year, our inaugural Senior Manager, Michael Petering resigned to join Bendigo Bank as a Regional Manager for the Melbourne – Mornington Peninsula Region. Michael started our banking business from the boot of his car for the first six months prior to the opening of our Surrey Hills **Community Bank**[®] Branch. We wish Michael well in his new role. Darren Roche joined us as Senior Manager in May this year. Having had experience as a **Community Bank**[®] Manager in Highett, he has been able to manage the hectic first few months in a very capable manner. Our Canterbury Manager also resigned earlier this year and we are pleased to announce that we have appointed an experienced Bendigo Bank Customer Service Manager.

During the year, we also received the resignation of one of our inaugural Board members, Andy McKay. Andy was involved as a member of both the Surrey Hills and Canterbury steering committees. He was instrumental in ensuring that the Surrey Hills campaign succeeded.

On behalf of all Directors, Shareholders and customers, I thank Michael and Andy for the great work that they did for our **Community Bank**[®] branches for so many years.

It is very pleasing to announce our first annual profit and our first dividend. It's only a minimal dividend, but it's proof that we are on the right track. During the past year, we also provided some \$15,000 in sponsorships and grants to sporting clubs, and a number of community organisations. Our budget for similar contributions is in excess of \$50,000 for this next financial year. That figure will increase greatly over the years as long as we continue to attract new customers. We would very much appreciate your support as our Shareholders, by banking with us and by recommending our services to your families and friends. Our staff in our branches always aims to provide an exceptionally friendly and personal service.

Some of our target markets in the next year will include our local primary and secondary schools. We are currently establishing our first school banking facility, where school children can learn financial responsibility from an early age. With some 60 schools in Boroondara, we are aiming to have many of these schools as customers in the near future. We are also targeting local sporting clubs. Quite a number of clubs have already benefited from our sponsorships. We expect to increase our sponsorships very quickly from now. Other community organisations should consider banking with us, especially if they are looking for sponsorships and grants. In many instances, we can provide a superior banking service at a lower cost or greater interest income, and our Saturday banking hours are a bonus for all those busy honorary treasurers! As part of our franchise agreements with Bendigo Bank, we are obliged to contribute between 60% and 80% of our profits to community organisations. That is our commitment. Through this goodwill, we hope to grow and gain even more customers.

Initial discussions have been held at Board level to provide banking services in other areas around Canterbury and Surrey Hills. Those services can range from ATMs to agencies, and even to additional branches. That initiative will mean additional work for your Directors. With the number of Directors decreasing from 12 to 8, we have noticed an additional workload falling on our remaining Directors. With this

Chairperson's report continued

in mind, we would very much like to appoint one or more additional Directors. Please contact us should you be interested in helping, or if you know of other community-minded people who can assist in the direction of our banking operations and the provision of community support.

I thank all of our staff for the great service that they provide. I also thank my fellow Board members for the many hours that they spend in a volunteer capacity, in providing advice and guidance for the betterment of our banking venture – a venture that will soon provide significant funding for community projects in our local area.

We need more customers to grow to our full potential. Please help us by recommending our services to people that you know.



Dick Menting
Chairman

Manager's report

For year ending 30 June 2006

For those of you that have not had a chance to meet me yet, please let me introduce myself. My name is Darren Roche and I took over the role of Senior Manager from Michael Petering on the 1st of May 2006.

Having previously managed the Highett **Community Bank**[®] Branch, I am acutely aware of the importance that “your bank” plays in shaping our community. Our communities have continued to support their **Community Bank**[®] branch over this past year with steady growth during this period.

Over the last financial year we have managed to grow the business, with deposits and lending now totaling in excess of \$110 million, with lending growth continuing to exceed expectations.

I believe both branches at Canterbury and Surrey Hills still have room for improvement. Our focus for moving forward will be to further enhance our presence in the community by looking to foster important and ongoing relationships with schools, people, businesses, sporting clubs, and other organisations. This will ensure we continue to grow and build on the already solid foundation we have. We also wish to provide a wider range of needed services.

It is my firm belief that both our shareholders and existing customers are the backbone of our business, and I would like to personally thank all of you that currently support us by actively banking and promoting us within our community.

If the shareholders and customers are the backbone of the business, then what can I say about our staff? Although I have only been here a short time I would personally like to thank what I believe are the best **Community Bank**[®] branch staff in the business. To Cristy Gilbert, Customer Service Manager Surrey Hills, and her team Janine, Adriana, Alison and Sophie. To the recently appointed Nicole Gellie, Customer Service Manager Canterbury, and her team, Katarnya, Kaye, Fiona, and Gill. I'm sure all of you are aware of the exceptional service they provide, and for that I, thank you all.

To the current Board of Directors, your support since I have arrived has been nothing short of tremendous. Your tireless work behind the scenes is something to behold.

There is still so much to be done. I ask that you continue to support your bank and encourage others who do not, to bank with our **Community Bank**[®] branches, banking “the Bendigo Way”



Darren Roche
Senior Manager

Treasurer's report

For year ending 30 June 2006

Operating results

The profit of the Company for the financial period after provision for income tax was:

Period ended 30 June 2006	Period ended 30 June 2005
\$ 29,385	\$ (\$123,192)

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that a non-franked dividend of 2 cents per share be paid (\$21,841), in respect of the profit in the year ended 30 June 2006.

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 period under review not otherwise disclosed in this report.

Significant events after the balance date

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.



Juliann Byron

Treasurer

Directors' report

For year ending 30 June 2006

Your Directors submit the 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 period are:

Director	Experience	Responsibilities
Hans Diederick Menting Chairman – non-executive BCom, MBA(Melb), FCPA, AICD Age: 59	Banking, finance & administration for 35 years. Small business owner/ operator & Councillor.	Chairman Member - Corporate governance & audit committee Member - Staff committee Member - Executive committee Member - Finance committee
David Charles Orford Deputy Chairman - non-executive BSc, MBA,FIA,DFP Age: 60	Actuary, Superannuation, compliance, administration, IT, and marketing. Managing Director of Financial Synergy P/L, Director – Top Quartile Mgt Limited, Financial Synergy (Tas) P/L Financial Synergy Actuarial P/L, Bruce May Homes P/L, Superannuation Systems (Aust) P/L, Symbiotic Serendipity P/L	Chairman – Corporate governance & audit Committee Member – Marketing committee
Bruce Alexander Chisholm Director –non-executive MSc, Dip App. Chem Age: 59	Scientist, R&D manager, General Manager in Plastics & Telco for 30 years. Consulting scientist & small business owner/ operator.	Chairman – Asset management committee Member - Marketing committee
Robert Einar Stensholt Director- non-executive BA, BD(Hons), M Int. Law Dip. Phil Age: 61	State MP, formerly Director consulting Company, Senior Research Fellow, Ass Dir Gen AusAID, Diplomat, teacher.	Chairman - Staff committee, Member - Finance committee

Directors' report continued

Director	Experience	Responsibilities
Damien Leo Hudson Director – non-executive Age: 34	8 year experience in real estate & management.	Chairman - Marketing committee Member - Asset management committee Member - Executive committee
Elisabeth Kay Grant Director Age: 44	Advertising, design, - non-executive communications, education. Director of graphic design consultancy.	Member - Marketing marketing, corporate committee Member - Staff committee
Juliann Ruth Byron Director- non-executive Treasurer BCom, Grad Dip CM, FCPA, FIDC, ACIS, FTIA Age: 49	Finance, Company secretary, management, & governance. Director of Western Health & Victorian Cytology Service.	Chairman - Finance committee Member - Corporate governance & audit committee Member - Executive committee
Trevor Roland Kempton Director- non-executive Age 59 (Appointed 26/2/2006)	Small business owner, business management & marketing, President Maling Road Business Association Inc.	Member – Marketing committee
Ernest George Hermeler Director – non-executive (Appointed 27/7/2005 – Resigned 12/7/2006)		
Andrew Ernest McKay Director- non-executive (Resigned 19/2/2006)		

Directors were in office for this entire year unless otherwise stated. No 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 period were in providing **Community Bank®** services under management rights to operate two franchised branches of Bendigo Bank Limited in Canterbury and Surrey Hills, Victoria.

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

Directors' report continued

Review Of operations

The Company has continued to perform in line with expectations, but below budget. The profit/(loss) of the Company for the financial year after provision for income tax was \$29,385 (2005: (\$123,192)).

Dividends

No dividends were declared or paid for the previous year and the directors recommend that a non-franked dividend of 2 cents per share be paid (\$21,841), in respect of the profit in the year ended 30 June 2006.

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 balance date

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.

An allowance was paid to some Directors to cover expenses incurred on behalf of the Company.

The total paid in allowances for the year was \$5,500 (2005: Nil).

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

Indemnification and insurance of Directors and Officers

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

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

Directors' report continued

Directors meetings

The number of Directors' meetings attended by each of the Directors of the Company during the period was:

Number of meetings held:	9
Number of meetings attended:	
Hans Diederick Menting	9
David Charles Orford	6
Robert Einar Stensholt	8
Juliann Ruth Byron	8
Bruce Alexander Chisholm	6
Andrew Ernest McKay (resigned 9/2/2006)	2 (eligible for 4)
Damien Leo Hudson	9
Elisabeth Kay Grant	7
Ernest George Hermeler (appointed 27/7/2005 – resigned 12/7/2006)	9
Trevor Roland Kempton (appointed 26/2/2006)	4 (eligible for 4)

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 David Orford, Dick Menting, Juliann Byron and Andy McKay (resigned 22 February 2006).
- 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.

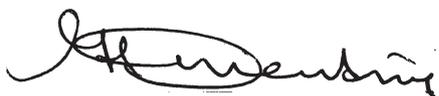
Directors' report continued

Company Secretary

Juliann Byron was the Company Secretary of Canterbury & Surrey Hills Community Finance Ltd since 2004, she retired on 19 December 2005. Juliann Byron's qualifications include a Bachelor of Commerce, Grad Dip CM, FCPA, FIDC, ACIS, FTIA, she has held the role of Company Secretary with various companies for over 18 years.

Ms Tucker was appointed to the position of Company Secretary on 19 December 2005. She has held Company Secretary roles with CDL Hotels New Zealand Limited and has a Certificate II of Business Marketing.

Signed in accordance with a resolution of the Board of Directors at Melbourne, Victoria on 28 August 2006.



Hans Diederick Menting
Chairman



Damien Leo Hudson
Director

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenue from ordinary activities	2	930,602	708,006
Employee benefits expense	3	(452,379)	(445,325)
Depreciation and amortisation expense	3	(121,370)	(124,064)
Finance costs	3	(5,161)	(1,378)
Other expenses from ordinary activities		(306,627)	(298,955)
Profit/(loss) before income tax expense		45,065	(161,716)
Income tax expense/(benefit)	4	15,680	(38,524)
Profit/(loss) after income tax expense		29,385	(123,192)
Earnings per share (cents per share)			
- basic profit/(loss) for the year	22	2.69	(11.28)
- diluted profit/(loss) for the year	22	2.69	(11.28)
- dividends per share	21	2.00	-

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash assets	6	12,036	11,462
Receivables	7	101,709	78,521
Total current assets		113,745	89,983
Non-current assets			
Property, plant and equipment	8	229,380	321,859
Deferred income tax asset	4	207,631	223,311
Intangible assets	9	70,635	112,783
Total non-current assets		507,646	657,953
Total assets		621,391	747,936
Current liabilities			
Payables	10	51,572	65,057
Interest bearing liabilities	11	-	129,793
Provisions	12	28,613	41,265
Total current liabilities		80,185	236,115
Non-current liabilities			
Interest bearing liabilities	11	17,852	17,852
Total non-current liabilities		17,852	17,852
Total liabilities		98,037	253,967
Net assets		523,354	493,969
Equity			
Share capital	13	1,092,062	1,092,062
Accumulated losses	14	(568,708)	(598,093)
Total equity		523,354	493,969

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		999,789	756,707
Cash payments in the course of operations		(878,147)	(786,332)
Interest received		629	705
Borrowing costs		(5,161)	(1,378)
Net cash flows (used in) operating activities	15b	117,110	(30,298)
Cash flow from investing activities			
Payments for property, plant and equipment		13,256	(100)
Net cash flows (used in) investing activities		13,256	(100)
Cash flows from financing activities			
Repayment of borrowings		(13,053)	(6,025)
Net cash flows (used in) financing activities		(13,053)	(6,025)
Net (decrease) in cash held		117,313	(36,423)
Add opening cash brought forward		(105,277)	(68,854)
Closing cash carried forward	15a	12,036	(105,277)

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Share Capital			
Ordinary shares			
Balance at start of year		1,092,062	1,092,062
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		1,092,062	1,092,062
Retained earnings			
Balance at start of year		(598,093)	(474,901)
Profit/(loss) after income tax expense		29,385	(123,192)
Dividends paid		-	-
Balance at end of year		(568,708)	(598,093)

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 28 August 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:

- AIFRS 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.

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

Class of asset	Depreciation rate
Motor Vehicles	22.5%
Plant & Equipment	6.67% - 20%

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.

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.

Notes to financial statements continued

(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-05	1-Jul-04
	\$	\$
Total equity under AGAAP	270,658	432,374
Recognition of deferred income tax asset (#)	223,311	184,787
Total equity under AIFRS	493,969	617,161

The above adjustment to equity will be reflected in retained earnings.

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised.

Reconciliation Of Loss After Tax Presented Under AGAAP To That Under AIFRS

	Year Ended 30-Jun-05
	\$
Loss after tax as previously reported (AGAAP)	(161,716)
Adjustment to income tax expense (#)	38,524
Loss after tax under AIFRS	(123,192)

A deferred income tax asset was not recognised under AGAAP as realisation of the asset was required to be virtually certain. Under AIFRS the test is probable and as such the asset has been recognised. The above reflects the impact on tax expense due to the recognition of this asset.

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).

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.

Notes to financial statements continued

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

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

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 20% per annum.

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).

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.

Notes to financial statements continued

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	929,973	707,301
Total revenue from operating activities	929,973	707,301

Non-operating activities

- interest received	629	705
- other revenue	-	-
Total revenue from non-operating activities	629	705
Total revenue from ordinary activities	930,602	708,006

Note 3: Expense

Employee benefits expense

- wages and salaries	404,990	402,215
- superannuation costs	36,093	33,293
- workers' compensation costs	2,294	1,509
- other costs	9,002	8,308
	452,379	445,325

Notes to financial statements continued

	2006 \$	2005 \$
Note 3: Expense continued		
Depreciation of non-current assets		
- plant and equipment	77,596	77,596
- motor vehicle	1,627	4,320
Amortisation of non-current assets		
- intangibles	42,147	42,148
	121,370	124,064
Bad debts	474	166
Finance costs		
- Interest paid	5,161	1,378

Note 4. Income tax expense

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

Prima facie tax on profit/(loss) before income tax at 30%	13,519	(48,515)
Add tax effect of:		
- Non-deductible expenses	2,161	9,991
Current income tax expense/(benefit)	15,680	(38,524)
Income tax expense/(benefit)	15,680	(38,524)
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	207,631	223,311

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
---	--------------	--------------

Notes to financial statements continued

	2006	2005
	\$	\$
Note 6: Cash assets		
Cash at bank and on hand	12,036	11,462

Note 7: Receivables

Accrued income	93,195	74,441
Deposits	4,080	4,080
Prepayments	4,434	-
	101,709	78,521

Note 8: Property, plant and equipment

Motor vehicle

At cost	30,126	30,126
Less accumulated depreciation	(30,126)	(15,243)
	-	14,883

Plant and equipment

At cost	470,795	470,795
Less accumulated depreciation	(241,415)	(163,819)
	229,380	306,976
Total written down amount	229,380	321,859

Movements in carrying amounts

Motor vehicle

Carrying amount at beginning of year	14,883	19,203
Additions	-	-
Disposals	(13,256)	-
Depreciation expense	(1,627)	(4,320)
Carrying amount at end of year	-	14,883

Notes to financial statements continued

	2006	2005
	\$	\$

Note 8: Property, plant and equipment continued

Plant and equipment

Carrying amount at beginning of year	306,976	384,472
Additions	-	100
Disposals	-	-
Depreciation expense	(77,596)	(77,596)
Carrying amount at end of year	229,380	306,976

Note 9: Intangible assets

Franchise fee

At cost	100,000	100,000
Less accumulated amortisation	(64,852)	(44,852)
	35,148	55,148

Preliminary expenses

At cost	110,734	110,734
Less accumulated amortisation	(75,247)	(53,099)
	35,487	57,635
	70,635	112,783

Note 10: Payables

PAYG withholding	10,259	14,377
Other creditors and accruals	41,313	50,680
	51,572	65,057

Notes to financial statements continued

	2006	2005
	\$	\$
Note 11: Interest bearing liabilities		
Current		
Bank overdraft	-	116,739
Lease payments are payable as follows		
Not later than a year	-	13,316
Less: Finance charges	-	(262)
	-	13,054
	-	129,793

The overdraft was required for business operating purposes.

Note 12: Provisions

Employee benefits	28,613	41,265
Number of employees at period end	11	11

Note 13: Share Capital

1,092,062 Ordinary Shares fully paid of \$1 each	1,092,062	1,092,062
---	------------------	------------------

Note 14: Accumulated losses

Balance at the beginning of the financial year	(598,093)	(474,901)
Profit/(Loss) after income tax	29,385	(123,192)
Balance at the end of the financial year	(568,708)	(598,093)

Note 15: Cash flow statement

(A) reconciliation of cash

Cash at bank and on hand	12,036	11,462
Bank overdraft	-	(116,739)
	12,036	(105,277)

Notes to financial statements continued

	2006	2005
	\$	\$
Note 15: Cash flow statement continued		
(B) reconciliation of profit/(loss) after tax to net cash used in operating activities		
Profit/(loss) after income tax	29,385	(123,192)
Non cash items		
- Depreciation	79,223	81,916
- Amortisation	42,147	42,148
Changes in assets and liabilities		
- (Increase) decrease in receivables	(23,188)	(23,199)
- Increase (decrease) in payables	(13,485)	17,894
- Increase (decrease) in provisions	(12,652)	12,659
- (Increase) decrease in deferred income tax asset	15,680	(38,524)
Net cashflows (used in) operating activities	117,110	(30,298)

Notes 16: Director and related party disclosures

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

Hans Diederick Menting

David Charles Orford

Bruce Alexander Chisholm

Andrew Ernest McKay (resigned 22 February 2006)

Damien Leo Hudson

Robert Einar Stensholt

Juliann Ruth Byron

Elisabeth Kay Grant

Ernest George Hermeler (appointed 27 July 2005 - resigned 12 July 2006)

Trevor Roland Kempton (appointed 26 February 2006)

No Director's fees have been paid as the positions are held on a voluntary basis.

However, an allowance was paid to some Directors to cover expenses incurred on behalf of the Company.

The total paid in allowances for the year was \$5,500 (2005: Nil).

Notes to financial statements continued

Note 16: Director and related party disclosures continued

Directors shareholdings	2006	2005
Hans Diederick Menting	2,501	2,501
David Charles Orford	5,001	5,001
Bruce Alexander Chisholm	1,501	1,501
Andrew Ernest McKay (resigned 22 February 2006)	1,001	1,001
Damien Leo Hudson	4,401	4,401
Robert Einar Stensholt	5,001	5,001
Juliann Ruth Byron	1,000	-
Elisabeth Kay Grant	3,000	3,000
Ernest George Hermeler (appointed 27 July 2005 – resigned 12 July 2006)	-	-
Trevor Roland Kempton (appointed 26 February 2006)	-	-

Other than the purchase of 1,000 shares by Juliann Byron there were no movements in Directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

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 Canterbury & Surrey Hills, Victoria.

Notes to financial statements continued

Note 20: Corporate information

Canterbury Surrey Hills Community Finance Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

Registered office	Principal place of business
143 Mailing Road, Canterbury, VIC 3126	Surrey Hills Community Bank [®] Branch 107 Union Road, Surrey Hills, VIC 3127 Canterbury Community Bank [®] Branch 143 Mailing Road, Canterbury, VIC 3126

	2006	2005
	\$	\$

Note 21: Dividends proposed for on ordinary shares

(A) dividends proposed and not recognised as a liability

Un-franked dividends - 2 cents per share (2005: Nil cents per share)	21,841	-
--	--------	---

Note 22: Earnings per share

Basic earnings per share amounts are calculated by dividing profit/(loss) 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/(loss) 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/(loss) after income tax expense	29,385	(123,192)
Weighted average number of ordinary shares for basic and diluted earnings per share	1,092,062	1,092,062

Notes to financial statements continued

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.

Interest rate risk

Financial instrument	Fixed interest rate maturing in										Weighted average effective interest rate		
	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non Interest Bearing				
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial

assets

Cash assets	12,036	11,463	-	-	-	-	-	-	-	-	-	4.85	5.10
Receivables	-	-	-	-	-	-	-	-	-	101,709	78,521	N/A	N/A

Financial

liabilities

Payables	-	-	-	-	-	-	-	-	-	51,572	65,057	N/A	N/A
----------	---	---	---	---	---	---	---	---	---	--------	--------	-----	-----

Interest

bearing

liabilities	-	-	116,739	-	13,054	-	-	-	-	17,852	17,852	7.20	7.20
-------------	---	---	---------	---	--------	---	---	---	---	--------	--------	------	------

Directors' declaration

In accordance with a resolution of the Directors of Canterbury & Surrey Hills Community Finance 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; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Hans Diederick Menting,
Chairman

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



10 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Independent audit report

to the members of Canterbury Surrey Hills

Community Finance Limited

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 Canterbury Surrey Hills Community Finance 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.

Independent audit report continued

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 Canterbury Surrey Hills Community Finance 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

Chartered Accountants



W. J. SINNOTT

Partner

Bendigo

Date: 28 August 2006

Auditor's independence declaration

Richmond Sinnott & Delahunty Chartered Accountants



10 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

28 August 2006

The Directors

Canterbury Surrey Hills Community Finance Limited

25 Chaucer Avenue

CANTERBURY VIC 3126

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Canterbury Surrey Hills Community Finance 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.

A handwritten signature in black ink, appearing to read 'W Sinnott'.

Warren Sinnott

Partner

Richmond Sinnott & Delahunty

This page has been left blank intentionally.