



ANNUAL REPORT

of

Yackandandah Community Development Company Limited

ABN 45 099 899 886

For year ended 31 March 2006



NOTICE OF ANNUAL GENERAL MEETING

In accordance with section 12 of the YCDCo. Constitution, Notice is hereby given that an Annual General Meeting of the Yackandandah Community Development Company Ltd will be held on Wednesday 14th June 2006 at the Yackandandah Public Hall commencing at 7:00pm.

Agenda

1. Welcome
2. Apologies
3. Confirmation of minutes of Annual General Meeting of Members held on 29th June 2005
4. Election of Directors: Nominations received to fill 4 vacancies are:
 - Cameron McKern (retiring director renominating)
 - James Lacey (retiring director renominating)
 - Jan Palmer (Board nominee)
 - Roger Oborn (Board nominee)
5. Chairman's Report
6. Company Secretary's Report
7. Confirmation of Appointment of Auditor
8. Proposed change to Financial Year
9. General Business

Cameron McKern
Company Secretary
11th May 2006

Directors' Report

The Directors are proud to present the Annual Report of Yackandandah Community Development Company Limited (YCDCo. Ltd.) to shareholders, together with the financial report for the year ended 31 March 2006 and the auditor's report thereon. This is our fourth Annual Report as a public company, representing the second full 12 month trading period at the new service station.

There have been a number of highlights throughout the year which are addressed below.

A Year of Consolidation ...

The last 12 month period has been a period of consolidation for YCDCo. Ltd. After setting up the service station, then taking on the hardware/rural supplies side of the business relatively soon after, the directors felt we needed to consolidate what we are doing.

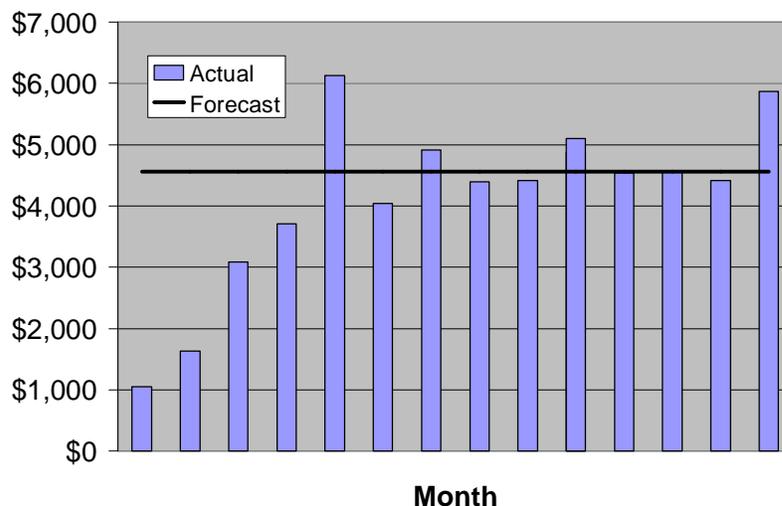
Yfarm - Rural Supplies Business ...

The rural supplies/hardware business opened for trade at Yackandandah Station on 18 February 2005. That means this Annual Report includes our first full year's trade for that side of the business. Despite some early glitches in getting the rural supplies/hardware/produce business up and running, the Board remains confident that this, together with fuel, will underpin the long-term profitability of YCDCo. Ltd.

During the 2005/06 year, key developments have been:

- Extension of the produce/storage shed: we quickly realised that more space was required for the bulk purchase and storage of stock feeds, produce and other items.
- Extensions to the retail shop building have commenced: this project has taken longer to get started than we initially envisaged. This was due to planning, technical and design issues.
- Establishment of agency arrangements with Polymaster Tanks for supply of rainwater tanks, stock feeders and other poly products.
- Establishment of arrangements for the delivery of bottled gas (Kleenheat).

The following graph shows gross monthly sales for the rural supplies/hardware business compared to our forecasts.



The forecasts in this chart were developed at the time we took over the hardware from the Robinsons. The figures show that we have consolidated sales at about \$4,500 per week which is roughly in line with our expectations for the business. (NB: Sales included in this analysis are only the new product lines brought in with the establishment of the rural supplies/hardware business - gas, hardware, poly products, fencing supplies, firewood, stock feeds etc. Excluded are drinks, papers, oils, confectionery and other lines that were already part of our pre-*Yfarm* product lines.)

Directors' Report (continued)

Total non-fuel sales for the business are averaging over \$5,800 per week.

Despite very healthy sales, the rural supplies/hardware side of the business has been less profitable than we forecast in its first full year. The main reason for this is the increased cost of staff required for the whole business (including fuel and rural supplies/hardware) than we envisaged. This has been somewhat accentuated by the fact that we are in our first year (and on a learning curve) and needed to get processes and systems in place. Another issue has been stock control and stocktaking. Our present point-of-sale system does not provide up to date information regarding stock levels and movements, necessitating manual stocktakes (or estimating) in order to get reliable financial performance data. With so many small product lines, a manual stocktake is a time consuming and costly activity. This issue has been identified by the Board as a priority to address.

Key priorities of the Board in relation to the Yfarm business are:

- Resolution of point-of-sale/stock control/management issues.
- Marketing initiatives to increase sales to \$6,000 per week.
- Increase margins by improved bulk purchasing of stock.

The Community 'Dividend' - Sponsorships Allocated ...

We took great pleasure in allocating \$17,717 (after GST) in sponsorship to the following community groups and organisations:

Yackandandah & District Historical Society	Sponsorship used to purchase a digital still camera and software	\$544
Yackandandah Folk Festival Committee	Sponsorship	\$3,000
Yackandandah Golf Club	Sponsorship used to assist with the purchase of a ride-on mower. The Golf Club contributed more than \$4,000	\$2,909
Sports Park Management Committee	Sponsorship of \$15,000 to assist the Sports Park Development Fund. The tennis club have contributed \$15,000 to the fund, also	\$3,750 ¹
Yackandandah Bowling Club	Sponsorship used to assist with the construction of a unisex toilet, underpinning of the southern side of the bowling green and refurbishment of the Club kitchen	\$3,636
Yackandandah Cricket Club	Sponsorship used to purchase new cricket equipment for the Junior Cricket Club	\$1,364
Yackandandah Hall Committee	Sponsorship used to purchase new curtains for the Public Hall stage	\$1,831
Yackandandah Playgroup	Sponsorship used to assist with the purchase of an equipment storage shed to be installed at the Yackandandah Kindergarten	\$682

Staffing and Customer Service...

Phil Buerckner, our site Manager, is committed to working with the staff to make the *Yfarm* business a success and is consistently looking for new ways to improve sales and profitability.

Fuel - Higher wholesale prices, tight margins and volatility ...

From what we read in the paper, higher fuel prices seem to be with us to stay. Over the last 12-18 months, the retail price (for ULP) has pushed through the highly resistant \$1.00 p/litre mark and, as expected, 'sprung' to a point well over that.

In truth, it's anybody's guess as to what might happen to fuel prices in the longer term but we think it would be naïve to expect relief. With global energy use at current levels and growing, together with Australia's world parity pricing policy for oil, it may well see fuel prices much higher soon.

But remember this: when you buy your fuel from Yfuel, you are always paying the '**terminal gate price**' (which is the best-available 'spot' wholesale price for cash purchases of over 35,000 litres from the Shell terminal in Melbourne) plus freight costs plus a margin somewhere between 4% and 8%. Typically, retail profit margins for other consumer goods range between

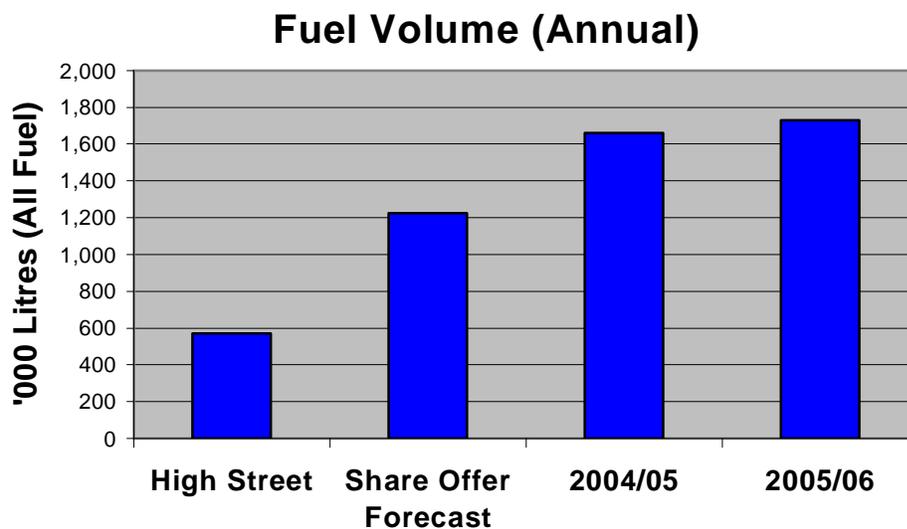
¹ \$3,750, or 25% of the \$15,000 commitment has been provided for in the 2005-06 year

Directors' Report (continued)

20% and 40%. Larger supermarket chains can only discount to lower prices by using fuel to 'loss-lead' customers into other more profitable grocery lines and by using sheer volume as buying 'muscle'. (And by the way, you don't see them doing much for Yackandandah).

Within this environment, we believe we have been able to consistently sell fuel at competitive prices (which reflect the Albury-Wodonga regional market). At times, we have been cheaper than our competitors. We have consolidated fuel sale volumes at just over 33,000 litres per week. That's a marginal increase on our volumes for the previous years and far cry from 11,000 litres per week from the old High Street site.

Our fuel sales volumes for 2005/06 compared to 2004/05 are shown below:



This represents a 4.2% increase in fuel sales volume for 2005/06 over the previous year. (NB: this volume figure provided for the old High Street site is estimated only).

Fuel trailer ...

YCDCo. owns a 1,000 litre diesel fuel trailer which we loan to customers to buy larger quantities of diesel for on-farm uses. In the last 12 months, fuel sales using the trailer have been approximately 58,000 litres, totalling 92,000 litres since its purchase.

That means, at an average margin of \$0.08 c/litre, the fuel trailer has more than paid for itself.

YCDCo. Goals

The long-term goals of YCDCo. Ltd. are:

1. To improve the economic, social and cultural well-being of the community of Yackandandah and its immediate surrounds.
2. To operate the businesses owned by YCDCo. Ltd. (including **Yfuel**, **Yfarm** etc.) on a profitable basis, maximising return to shareholders and the community via the community commitment clause in the Constitution.
3. To undertake projects and initiatives which will improve the social, economic and cultural condition of the Yackandandah community.

Directors' Report (continued)

Principal Activities

The principal activities of the Company during the course of the financial year were that of sales of petroleum, rural supplies, hardware, produce and associated products. We sell a range of non-fuel products which are normally associated with a service station.

Financial Result

The YCDCo. Board is pleased to report an operating profit of \$18,313 for the year ended 31 March 2006 (after income tax expense of \$11,261). This compares to the operating profit of \$31,949 reported for the year ended 31 March 2005 (after income tax of \$12,835). These figures do not include our community commitment sponsorships which totalled \$17,241 for the year (\$15,578 in 2004/05).

Even though our reported profit is less than the previous year, we consider the underlying result is strong for a community company trading in a market as volatile as fuel retailing. In the context of a year when the **Yfarm** rural supplies business being set up and bedded down, it is an encouraging result, though less profitable than we originally forecast.

Of some concern to the Board and shareholders is the substantial increase in total employment costs reported. Total employment costs increased from \$71,674 in 2004/05 to \$140,165 in 2005/06 (almost double). The key reason for this is the significant increase in rostered hours required to support the **Yfarm** rural supplies/hardware business. The additional staffing levels required to run that side of the business were even higher than we initially forecast. As stated, this was largely due to the establishment phase of the business, especially in relation to stock management.

Financial Reports

Detailed audited financial statements for the financial year 1 April 2005 to 31 March 2006 are included in this Annual Report.

The analysis below provides addresses key features of our financial performance for the year and compares these to last year.

Underlying Performance - Fundamentals

In order to gain a meaningful insight to the company's financial performance from year to year, it is necessary to make some adjustments to the 'face value' financial results reported in the Annual Report. The table below therefore provides an analysis of the underlying business fundamentals, after adjusting for some one-off items and other amounts, to provide a better comparative basis of the company's underlying trading performance.

The analysis in the table below shows financial results for the last two years with the following adjustments:

- Community commitment sponsorships (treated as expenses in the Income Statement) are added back to before tax profit.
- The effect of the one-off grant payment of \$17,579 from Indigo Shire which was included as income in the 2004/05 financial year is removed.

	ADJUSTED RESULT 2004/05	ADJUSTED RESULT 2005-06	% CHANGE
Turnover [Gross Revenue (\$)]	\$1,709,792	\$2,304,749	34.8% Incr.
Gross Sales [Rural /Hardware/Other (\$)]	\$70,697 *	\$303,107	*
Adjusted Profit Calculation:			-
Reported Profit (after tax, before dividend)	\$31,949	\$18,313	42.7% Decr.
Add: Community Commitment	\$15,578	\$17,241	11.1% Incr.
Sub-Total:	\$47,527	\$35,554	-
Subtract: One-off income items (grant)	\$17,579	-	-
TOTAL - UNDERLYING RESULT:	\$29,948	\$35,554	18.7% Incr.

* Rural supplies/hardware business opened on 18 February 2005.

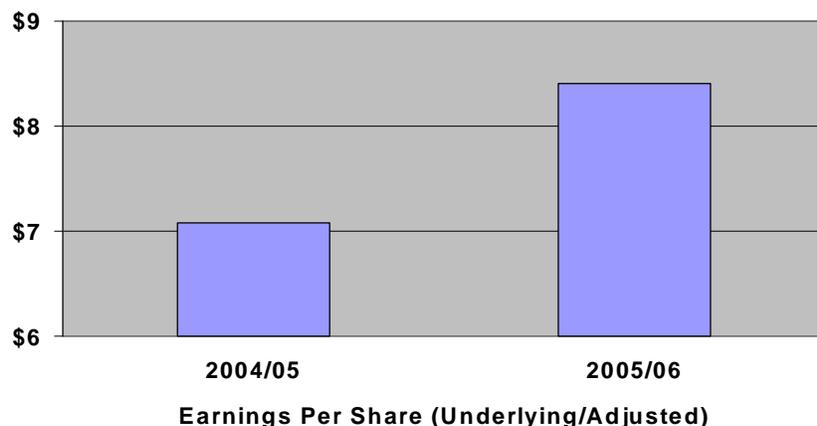
Directors' Report (continued)

This analysis of adjusted figures show that:

- the underlying financial performance of the *Yfuel / Yfarm* business is very healthy; and
- despite the higher than expected employment expenses, the underlying financial performance of YCDCo. Ltd. since the establishment of the rural supplies and hardware business, has improved by 18.7%.

On the basis reported in last year's financial report, the 2005/06 result equates to earnings per share (unadjusted) of \$11.06 (before community commitment, dividends and tax). This is down significantly from the \$14.27 earnings per share reported last year. This is, however, mostly a reflection of the one-off grant income items reported in that last year's accounts which skew the result.

Commencing from this current reporting period (to aid with year-to-year comparability for shareholders), we will provide the commentary on the company's performance on an underlying earnings per share basis. This will be after tax figures but including community commitment (which is considered as part of the company's earnings) and adjusted for any one-off items. These figures (underlying performance) are provided below for the current year and last year:



This shows increased underlying earning per share, despite the fact that the actual reported profit for the year is lower. (Now that all transactions relating to government grants and other matters relating to the service station construction are completed, future accounts should not have the same comparability difficulties which have been experienced over the past two reporting periods).

Capital Investment Program

Shareholders will have noticed that over the past 18 months, there has been significant capital investment happening up at the service station. Most of this is related to the decision to set up the Yfarm rural supplies and hardware side of the business.

Capital expenditure undertaken in the 2005/2006 financial years is as follows:

• Extension to produce/storage shed	\$16,744
• Other	\$2,556
TOTAL CAPITAL EXPENDITURE:	\$19,300

Over the next 12 months, we plan to have undertaken the following capital expenditure which will complete all current capital projects:

• Completion of extension to retail shop area	\$35,000
• Other	\$5,000
TOTAL:	\$40,000

Directors' Report (continued)

YCDCo. Ltd. has a strong cash flow and was able to largely fund all capital investment from its own cash reserves. However, to cover minor shortfalls, we have negotiated a \$30,000 overdraft facility with the WAW Credit Union. To date, we have only drawn down the overdraft on one occasion and are likely to again over the next 6 months. At the reporting date, YCDCo. had no overdraft debt.

It is very encouraging that our community company is able to invest in a significant project such as Yfarm without the need for any significant debt.

How Capital Projects are Treated in our Accounts

Capital expenditure is that expenditure which creates an asset for the company. In other words, it will deliver benefits to the company, not only in the current year, but over future years as well. In our company accounts (in line with international accounting standards), such assets are included in our balance sheet [ie; they are not shown as an expense in the income statement, formerly known as the profit and loss].

However, depreciation is shown in the income statement as the expense which relates to those assets we own. Depreciation expense reflects the portion of the value of all the assets we own (including those we already had as well the new ones) which is reasonably attributable to the current year's operations.

Occupational Health and Safety and Site Management Issues

Occupational Health and Safety is obviously a very important aspect of running a service station. Therefore, during the year we underwent a VACC OHS audit. The result of the audit, which was considered by the site management committee, identified some relatively minor OHS issues that we need to address. But overall, the audit reflected positively on our site management and operating procedures. Items needing to be addressed are being followed up.

Accuracy of Bowsers

Our bowsers are calibrated at least every two years by Gilbarco (who are accredited by Weights and Measures Australia). The accuracy of our bowsers can also be tested in 'snap' inspections by Consumer Affairs Victoria, as happened once during the year. The result of this inspection was that one dispenser was found to be inaccurate, being 1.9ml per litre (or less than half a teaspoon) outside Consumer Affairs' tolerances. The other four dispensers were either accurate or delivering too much fuel.

Dividends

The Board is pleased to declare a franked dividend of \$4.00 per share, payable to shareholders on the share register on 31st March, 2006. The dividend payment accompanies this report. This dividend to shareholders is more than matched by the community 'dividend' (community commitment payments) of over \$17,000 for the year.

As a matter of policy in relation to future profits, it remains the Board's intention to distribute the majority of future YCDCo. Ltd. profits to shareholders as dividends and via the community commitment clause, where those profits are backed by a cash surplus.

Share Value

As an unlisted public company, shares in YCDCo. Ltd. are not publicly traded on a stock exchange. This means the value of the shares is not subject to the inevitable market-driven fluctuations which this would lead to.

The value (or "**Transfer Price**") of shares in YCDCo. Ltd. is defined in section 29.3 of the Constitution as "**... the net asset backing attributed to the share calculated by reference to the last audited statement of the company.**"

In accordance with clause 29.3 of the Constitution, the "Share Transfer Price" calculation is provided below:

Net Equity (see Statement of Financial Position as at 31 March 2006)	\$466,716
Number of shares on issue (as at 31 March 2006)	4,231
Share Transfer Price (net asset backing per share)	\$110.31

The Share Transfer Price as reported in last year's Annual Report was \$109.98.

Directors' Report (continued)

State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs that occurred during the financial period under review, except for expansion of the product range to include rural supplies, hardware and associated products.

Events subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely Developments

Other than those arising from an ongoing review of expansion opportunities there are no significant likely developments not otherwise disclosed in this report.

Derivatives and other financial instruments

The company is exposed to credit, liquidity and cash flow risks from its operations. The company has a strict credit policy for all customers trading on credit terms, and only deals with reputable financial institutions.

Financing facilities and operating cash flows are managed to ensure the company is not exposed to any adverse liquidity risks.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Glenn Clark
Age: 43
Occupation: Supermarket manager/Owner
Director: March 2002 to 29th June 2005

Andrew Earl
Age: 41
Occupation: Teacher
Director since: March 2002

James Cameron Lacey
Age: 40
Occupation: Newsagent proprietor
Director since: May 2003

Peter Anthony McGowan
Age: 47
Occupation: Solicitor
Director since: June 2005

Mark McKenzie-McHarg
Age: 45
Occupation: Management Consultant
Director since: March 2002

Cameron McKern
Age: 41
Occupation: Computing Consultant
Director since: March 2002

Phillip Newman
Age: 44
Occupation: Self employed
Director since: March 2002

David Norman
Age: 44
Occupation: Self employed
Director since: March 2002

Directors Meetings

The number of directors' meetings and the number of meetings attended by each of the directors of the company during the year are:

	<i>Meetings held</i>	<i>Meetings attended</i>
Glenn Clark	5 *	0
Andrew Earl	12	11
James Lacey	12	12
Peter McGowan	7 *	5
Mark McKenzie-McHarg	12	12
Cameron McKern	12	11
Phillip Newman	12	12
David Norman	12	6

*Indicates number of meetings held whilst director was in office.

Directors' Report (continued)

Directors' Benefits

Since the end of the previous financial year no director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors shown in the financial statements, or the fixed salary of a full time employee of the company or of a related body corporate) by reason of a contract made by the company or a related body corporate with a director or with a firm of which a director is a member, or with an entity in which a director has a substantial interest, except for those detailed in Note 13 to the financial report.

Director Resignations

During the year, **Andrew Earl** and **David Norman** advised of their intention to stand down as directors of YCDCo. Ltd. at the 2006 AGM and not to renominate. The Board wishes to acknowledge and thank Andrew and Postie for the valuable contribution they made to YCDCo. in its formative years.

Many shareholders will recall that Andrew was instrumental in stepping forward to manage the High Street service station site when the fuel crisis first emerged (back in 2002). He did this at a time when he was trying to make significant career changes. Whilst in that role he sought to make a business with very little money as professional and successful as possible on a site with severe limitations. His contribution to YCDCo. has been invaluable.

Dave 'Postie' Norman has been a flag-bearer for the YCDCo. project since its outset. In his role as postie, he talks to many people in the town daily across all age and interest groups. Postie played an important role in getting messages out to all sectors of a very diverse community, as well as the odd bit of sign work, CD production, photography, choreography, design and artwork (and sausage sizzle, social events coordinator). Like Andrew, Postie's role was critical in YCDCo's establishment years.

Cameron McKern and James Lacey also volunteered to retire as directors at the 2006 AGM and signalled their intention to renominate for the Board.

Cameron was a foundation shareholder in YCDCo. Ltd. and has acted as Company Secretary since its inception. Cameron is an independent computing consultant based in Yackandandah township. He is keen to continue his involvement with YCDCo. and to see the company through its next consolidating stages.

James joined our Board in May, 2003 at our first AGM as a public company. This was just before 4,121 additional shares were issued in accordance with our offer information statement. James is well known within our community as joint proprietor of the newsagency, with his wife Cassandra. He brings a wealth of retail experience to the board.

The retirement of Cameron, James, Andrew and David meets the constitutional requirement for one third of directors to retire each year at the AGM. It also prepares us for the additional constitutional requirement that directors be in office for two year terms as a maximum, which comes in to effect in twelve months (after the initial three year 'honeymoon' period defined in clause 2.6).

The Board has also decided to nominate two candidates for appointment as directors of YCDCo. The people chosen as the Board nominees in accordance with the Constitution, are Roger Oborn and Jan Palmer.

Roger lives in Yackandandah and was formerly the owner/operator of the Yackandandah General Store. Jan is the co-proprietor of Sandy Creek Trees and also lives locally. Both Roger and Jan are active in and committed to the Yackandandah community. They have both expressed a desire to get involved with the Board and to advancing the success of YCDCo. Ltd.

Environmental Regulation

The company's operations are subject to various environmental regulations under both Commonwealth and State legislation.

The company has established procedures for monitoring compliance with existing environmental regulations and new regulations as they are enacted. This includes steps to be followed should an incident occur which has an adverse effect on the environment.

The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

Directors' Report (continued)

Indemnification and insurance of officers and auditors

Up to 31 March 2006 no insurance in respect of officers has been paid. No indemnity arrangements have been entered into with auditors.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act, 2001, is set out on page 10.

Signed in accordance with a resolution of directors.

Dated at Yackandandah this 11th day of May, 2006.



Director, Cameron McKern



Director, Mark McKenzie-McHarg



Chartered Accountants

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Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The Directors of Yackandandah Community Development Company

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporation Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dougald J Frederick
Partner
Albury

11th May 2006

Resident partners

P C Tobin N R Willis G J West D J Frederick
C I Kenny K T Evans T S Frazer

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Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Income Statement

For the year ended 31 March 2006

	Note	2006 \$	2005 \$
Revenue from fuel and oil sales		2,001,268	1,619,587
Revenue from other sales		303,107	70,697
Interest received		374	1,929
Funding monies received	20	-	17,579
		<u>2,304,749</u>	<u>1,709,792</u>
Cost of goods sold		2,062,510	1,534,343
Accounting fees		1,737	181
Audit fees	15	4,500	4,000
Advertising and promotion		1,979	138
Depreciation and amortisation		26,344	24,213
Electricity		3,261	3,240
Employee expenses (including director-based payments)		140,165	71,674
Government and bank charges		4,087	2,399
Insurance		3,194	2,564
Printing and stationery		3,443	3,317
Telephone		2,411	1,499
Rent		-	-
Other expenses		4,303	1,845
Share issue and offer information statement		-	17
Community Contribution	17	17,241	15,578
		<u>2,275,175</u>	<u>1,665,008</u>
Profit before tax		29,574	44,784
Income tax expense	19(a)	11,261	12,835
Profit for the period		<u>18,313</u>	<u>31,949</u>

These Statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 25.

Balance Sheet As at 31 March 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	2	70,742	88,540
Trade and other receivables	3	59,394	52,184
Inventories	4	131,437	64,835
TOTAL CURRENT ASSETS		<u>261,573</u>	<u>205,559</u>
NON CURRENT ASSETS			
Property, plant and equipment	5	397,823	400,066
Deferred tax assets	19(c)	797	1,195
TOTAL NON CURRENT ASSETS		<u>398,620</u>	<u>401,261</u>
TOTAL ASSETS		<u>660,193</u>	<u>606,820</u>
CURRENT LIABILITIES			
Trade and other payables	6	162,519	116,057
Provisions	18	16,924	15,020
Income tax payable	19(b)	14,034	10,416
TOTAL CURRENT LIABILITIES		<u>193,477</u>	<u>141,493</u>
TOTAL LIABILITIES		<u>193,477</u>	<u>141,493</u>
NET ASSETS		<u>466,716</u>	<u>465,327</u>
EQUITY			
Issued capital	7	423,100	423,100
Retained earnings	8	43,616	42,227
TOTAL EQUITY		<u>466,716</u>	<u>465,327</u>

These Statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 25.

Statement of Recognised Income and Expenditure For the year ended 31 March 2006

	Note	2006 \$	2005 \$
Net Income recognised directly in Equity		-	-
Profit for the Period		18,313	31,949
Total recognised income and expense for the Period		<u>18,313</u>	<u>31,949</u>

Statement of cash flows For the year ended 31 March 2006

Cash flows from operating activities

Cash receipts in the course of operations		2,526,882	1,877,863
Interest received		374	1,929
Cash payments in the course of operations		(2,505,933)	(1,849,552)
Net cash provided by operating activities	9(ii)	<u>21,323</u>	<u>30,240</u>

Cash flows from investing activities

Payments for property, plant and equipment		(24,101)	(32,971)
Net cash used in investing activities		(24,101)	(32,971)

Cash flows from financing activities

Repayments of borrowings		-	-
Proceeds from the issue of shares		-	-
Dividend paid		(15,020)	-
Net cash provided by financing activities		(15,020)	-
Net increase/(decrease) in cash held		(17,798)	(2,731)
Cash at the beginning of the financial year		88,540	91,271
Cash at the end of the financial year	9(i)	<u>70,742</u>	<u>88,540</u>

These Statements are to be read in conjunction with the notes to and forming part of the financial statements set out on pages 14 to 25.

Notes to and forming part of the financial statements For the year ended 31 March 2006

1. Significant accounting policies

The Yackandandah Community Development Company Limited (the “Company”) is a company domiciled in Australia. It is an unlisted public company.

The financial report was authorised for issue by the directors on 11th May, 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (“AASB”) and the Corporations Act 2001. International Financial Reporting Standards (“IFRS”) form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS (“AIFRS”). The financial report of the Company also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

This is the first financial report prepared in accordance with AIFRS and AASB 1 First Time Adoption of AIFRS has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 23.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The Company has elected to early adopt all applicable revised accounting standards as at 31st March, 2006.

The financial report is prepared on the historical cost basis.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts to assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Management has been involved in the development, selection and disclosure of the Company’s critical accounting policies and estimates and the application of these policies and estimates. There are no critical accounting judgements which require specific disclosure.

The accounting policies set out below have been applied consistently to all periods presented in the financial report and in preparing an opening AIFRS balance sheet at 1st April 2005 for the purposes of the transition to Australian Accounting Standards – AIFRS.

(c) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Notes to and forming part of the financial statements For the year ended 31 March 2006

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The taxation year for the company ends at June 30.

(d) Revenue recognition

Goods sold

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(e) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability 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.

(f) Trade or other receivables

Trade and other receivables are stated at their cost less impairment losses.

(g) Inventories

Raw materials, stores and finished goods are carried at the lower of cost allocated and net realisable value.

Fuel cost is calculated using a FIFO basis.

(h) Operation leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

Notes to and forming part of the financial statements For the year ended 31 March 2006

(i) **Property, plant and equipment**

(i) *Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (k)).

The cost of self-constructed assets includes the cost of materials and direct labour.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) *Leased assets*

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are accounted for as described in accounting policy (h).

(iii) *Subsequent costs*

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) *Depreciation/Amortisation*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

<i>Property, plant and equipment</i>	2006	2005
Shop and forecourt	30 years	30 years
Fuel storage equipment	10-30 years	10-30 years
Fuel delivery equipment	5-20 years	5-20 years
Retail equipment	5-20 years	5-20 years

All depreciation rates are applied using a straight line basis.

(j) **Cash and cash equivalents**

Cash and cash equivalents comprises cash balances and call deposits. Where applicable bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(k) **Impairment**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously

Notes to and forming part of the financial statements For the year ended 31 March 2006

been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(l) Payables

Trade and other payables are stated at cost.

(m) Employee benefits

Wages, salaries, annual leave, sick leave and non-monetary benefits

All staff are employed on a casual basis. Accordingly, no obligation exists with regard to employee benefits for wages, salaries, annual leave and sick leave.

(n) Superannuation plan

The Company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are made.

2. Cash and cash equivalents

	Note	2006 \$	2005 \$
Cash on hand		1,143	1,143
Unbanked Funds		1,715	3,705
Cash at bank		67,884	83,692
		70,742	88,540

3. Trade and other receivables

Trade debtors		39,108	32,504
GST refundable		20,286	16,962
Prepayments		-	2,718
		59,394	52,184

4. Inventories

<i>Finished goods</i>			
Fuel		48,616	26,384
Oil		5,446	1,365
Motor accessories		4,490	2,710
Rural supplies and hardware		64,661	28,892
Sundry		8,224	5,484
		131,437	64,835

Notes to and forming part of the financial statements For the year ended 31 March 2006

5. Property, plant and equipment

	Note	2006 \$	2005 \$
Leasehold improvements			
<i>Fuel storage equipment at cost</i>		103,699	103,699
<i>Accumulated depreciation</i>		(13,649)	(7,993)
		<u>90,050</u>	<u>95,706</u>
<i>Shop and forecourt at cost</i>		234,157	213,278
<i>Accumulated depreciation</i>		(16,795)	(8,863)
		<u>217,362</u>	<u>204,415</u>
Plant and Equipment			
<i>Fuel delivery equipment at cost</i>		112,664	112,138
<i>Accumulated depreciation</i>		(27,130)	(15,142)
		<u>85,534</u>	<u>96,996</u>
<i>Retail sales equipment at cost</i>		5,715	3,019
<i>Accumulated depreciation</i>		(838)	(70)
		<u>4,877</u>	<u>2,949</u>
Total Property, plant and equipment		<u>397,823</u>	<u>400,066</u>

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Fuel Storage Equipment

Carrying amount at beginning of year	95,706	101,362
Additions	-	-
Disposals	-	-
Depreciation	(5,656)	(5,656)
Carrying amount at end of year	<u>90,050</u>	<u>95,706</u>

Shop and Forecourt

Carrying amount at beginning of year	204,415	192,878
Additions	20,879	18,301
Disposals	-	-
Depreciation	(7,932)	(6,764)
Carrying amount at end of year	<u>217,362</u>	<u>204,415</u>

Notes to and forming part of the financial statements For the year ended 31 March 2006

	Note	2006 \$	2005 \$
Fuel Delivery Equipment			
Carrying amount at beginning of year		96,996	97,068
Additions		526	11,651
Disposals		-	-
Depreciation		(11,988)	(11,723)
Carrying amount at end of year		<u>85,534</u>	<u>96,996</u>
Retail Sales Equipment			
Carrying amount at beginning of year		2,949	-
Additions		2,695	3,019
Disposals		-	-
Depreciation		(767)	(70)
Carrying amount at end of year		<u>4,877</u>	<u>2,949</u>
6. Trade and other payables			
Auditors remuneration		4,500	4,000
Trade creditors		129,806	91,136
PAYG Withholding payable		3,337	2,779
GST payable		24,512	17,757
Payroll related		364	385
		<u>162,519</u>	<u>116,057</u>
7. Equity			
Issued capital			
4,231 (2005: 4,231) ordinary shares, fully paid		<u>423,100</u>	<u>423,100</u>
Ordinary shares			
Movements during the year:			
Balance at beginning of year		423,100	423,100
<i>Shares issued</i>		-	-
Closing balance		<u>423,100</u>	<u>423,100</u>
8. Retained Earnings			
Retained profits/(losses) at the beginning of the financial year		42,227	25,299
Current period profits		18,313	31,949
Provision for dividend	18	(16,924)	(15,020)
Rounding		-	(1)
Retained Profits at end of financial year		<u>43,616</u>	<u>42,227</u>

Notes to and forming part of the financial statements For the year ended 31 March 2006

9. Notes to the statement of cash flows

(i) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance sheets as follows:

Note	2006 \$	2005 \$
Cash on Hand and at Bank	70,742	88,540
	<u>70,742</u>	<u>88,540</u>
(ii) Reconciliation of operating profit after income tax to net cash provided by operating activities		
Operating profit/(loss) after income tax	18,313	31,949
Add/(less) non-cash items:		
Depreciation/Amortisation	26,344	24,213
Amounts set aside to provisions	-	(639)
(Increase)/decrease in deferred tax assets	398	2,419
Increase/(decrease) in tax payable	3,618	10,416
	<u>48,673</u>	<u>68,358</u>
Net cash provided by operating activities before change in assets and liabilities		
Change in assets and liabilities during the financial year		
(Increase)/Decrease in inventories	(66,602)	(36,799)
(Increase)/Decrease in receivables	(7,210)	(1,015)
Increase/(Decrease) in payables	46,462	(304)
	<u>21,323</u>	<u>30,240</u>

10. Segment Reporting

The entity operates predominately in the fuel industry. The entity's operations are located in Yackandandah, Victoria. The entity supplies petroleum, rural supplies and associated products.

11. Financial Instruments

Exposure to credit and interest rate risk arises in the normal course of the Company's business.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Investments are allowed only in short term deposits within the traditional banking sector.

At the balance sheet date there were no significant concentrations of credit risk. The maximum amount of credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Notes to and forming part of the financial statements For the year ended 31 March 2006

Effective interest rates

Bank deposits at call pay interest at a weighted average interest rate of 0.25% (2005: 4.00%).

12. Directors' Remuneration

Directors' Income

	2006 \$	2005 \$
The number of directors of the Company whose income from the company or any related party falls within the following band:		
\$1 - \$9,999	2	2
Total income paid or payable, or otherwise made available, to all directors of the Company from the Company or any related party.	4,130	11,156

13. Related Parties

Directors

The name of each person holding the position of director of Yackandandah Community Development Company Ltd during the financial year are Glenn Clark, Andrew Earl, James Lacey, Peter McGowan, Mark McKenzie-McHarg, Cameron McKern, Phillip Newman and David Norman.

Details of directors' remuneration and retirement benefits are set out in Note 12. Apart from the details disclosed in this note, no director has entered into a material contract with the company since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

Directors' holdings of shares and share options

The interests of directors of the entity and their director-related entities in shares and share options at period-end are set out below:

Yackandandah Community Development Company Ltd		
Ordinary Shares	137	183
Options over ordinary shares	-	-

All directors hold shares in the Company.

Directors' transactions in shares and share options

Retired director, Mr Glenn Andrew Clark, sold his 11 shares in the company on 18th August, 2005. Glenn's father, Mr Frederick Edward Clark sold his 20 shares in the company on the same day.

No other directors or director related parties, sold or purchased shares in the company during the 2006 period.

Directors' transactions with the Company or its controlled entities

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The terms and conditions of the transactions with directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The aggregate amounts recognised during the year relating to directors and their director-related entities were as follows:

Notes to and forming part of the financial statements For the year ended 31 March 2006

Director	Transaction		2006 \$	2005 \$
J. Lacey	Purchases – stock & stationery (1)		11,485	8,289
C. McKern	Purchases – computer equip (2)		1,155	1,349
	Services – company secretary (2)		10,963	-

- (1) Goods purchased from Yackandandah Authorised Newsagency
(2) Goods and services purchased from CCM Software Technologies Pty Ltd

Certain director related parties are employed by the Company during the year as driveway attendants. The terms and conditions of employment for those persons is the same as those employees who are non director related.

All transactions with directors, or their director related parties are on normal terms and conditions or on a basis more favourable to the Yackandandah Community Development Company. Purchases by directors and director related parties from the retail site are on terms no more favourable than those available to the general public and are trivial or domestic in nature.

Amounts receivable from and payable to directors and their director-related entities at reporting date arising from these transactions were as follows:

Current Receivables

Trade debtors	85	384
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14. Economic dependency

100% of the fuel sold by the company is currently sourced from Shell Fuels. However, the Directors are confident that alternative fuel supplies are available.

15. Auditor's Remuneration

Auditors of the Company – KPMG Albury		
Audit	3,500	3,000
Other Services	1,000	1,000
	<u>4,500</u>	<u>4,000</u>

16. Commitments

Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payable:

Within one year	150	150
One year or later and no later than five years	150	150
Later than five years	-	-
	<u>300</u>	<u>300</u>

Notes to and forming part of the financial statements For the year ended 31 March 2006

The Company leases property under a non-cancellable operating lease expiring on 31 August 2006. The lease provides the Company with a right of renewal for a further five terms of five years each, at which time all terms are renegotiated. Lease payments comprise a nominal rent which has no reflection on the market rate which will be assessed and commence as from the exercise of the first option.

<i>Capital commitments</i>	nil	nil
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17. Community Contribution

Sponsorships were allocated to the following community groups and organisations:

<i>Yackandandah Football and Netball Club</i>	(475)
<i>* \$1,850 was set aside in 2004-05, with \$1,375 ultimately granted</i>	
<i>Yackandandah & District Historical Society</i>	544
<i>Yackandandah Folk Festival Committee</i>	3,000
<i>Yackandandah Golf Club</i>	2,909
<i>Sports Park Management Committee</i>	3,750
<i>Yackandandah Bowling Club</i>	3,636
<i>Yackandandah Cricket Club</i>	1,364
<i>Yackandandah Hall Committee</i>	1,831
<i>Yackandandah Playgroup</i>	682
	<u>17,241</u>

18. Dividends

A franked dividend of \$4.00 per ordinary share was declared on 31st March, 2006, to be paid during the 2006 year (2005: \$3.55 per ordinary share). Accordingly a provision of \$16,924 has been raised as at March 31, 2006.

Notes to and forming part of the financial statements For the year ended 31 March 2006

19. Taxation

(a) Income tax expense

Note	2006 \$	2005 \$
Prima facie income tax expense calculated at 30% (2005: 30%) on the profit from ordinary activities	8,872	13,435
Increase in income tax expense due to:		
Capital Costs	1,072	-
Community Contribution	-	4,674
Other	1,317	-
Decrease in income tax expense due to:		
Capital contributions received (net)	-	(5,274)
Initial recognition of tax losses	-	-
Income tax under/(over) provided in prior year	-	-
Income tax expense attributable to profit from ordinary activities	11,261	12,835
Income tax expense/(revenue) attributable to profit from ordinary activities is made up of:		
Current income tax provision	10,863	10,416
Deferred income tax provision	-	-
Future income tax benefit	398	2,419
Over provision in prior year	-	-
	11,261	12,835

(b) Current tax liabilities

Provision for current income tax

Movements during the year:		
Balance at beginning of year	10,416	-
Income tax paid	(7,245)	-
Current year's income tax expense on profit from ordinary activities	10,863	10,416
Under/(over) provision in prior year	-	-
	14,034	10,416

Notes to and forming part of the financial statements For the year ended 31 March 2006

(c) **Deferred tax assets**

	Note	2006 \$	2005 \$
<i>Future income tax benefit</i>			
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% on the following items:			
Provisions and accrued employee benefits not currently deductible		-	-
Tax losses carried forward		-	-
Sundry items		797	1,195
		<u>797</u>	<u>1,195</u>

20. **Individually significant items**

During the previous financial year the company was the beneficiary of certain grant funding. Cash and in kind contributions were received through Government grants in relation to the development of an industrial estate on Railway Avenue, Yackandandah.

21. **Contingent liabilities and contingent assets**

Nil.

22. **Subsequent events**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

23. **Explanation of transition to AIFRS**

As stated in note 1(a) these are the first financial statements prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Apart from certain changes in presentation of the financial statements there has been no material effect on the financial position or cash flows of the Company.

Directors' declaration

In the opinion of the directors of Yackandandah Community Development Company Limited:-

- (a) the financial statements and notes as set out on pages 11 to 25, are in accordance with the Corporations Act 2001, including :
 - (i) giving a true and fair view of the financial position of the Company as at 31 March 2006, and of its performance, as represented by the results of its operations and its cash flows for the financial year ending on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; 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.

Dated at Yackandandah this 11th day of May, 2006.

Signed in accordance with a resolution of the directors.



Director, Cameron McKern



Director, Mark McKenzie-McHarg



Chartered Accountants

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**AUDITOR'S REPORT TO THE MEMBERS OF
YACKANDANDAH COMMUNITY DEVELOPMENT COMPANY LTD**

Scope

We have audited the financial report of Yackandandah Community Development Company Ltd ("the Company") for the period ended 31 March 2006, consisting of the income statement, statement of recognised income and expenditure, balance sheet, statement of cash flows, accompanying notes 1 to 23, and the directors' declaration set out on page 26. The Company's directors are responsible for the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

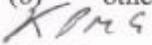
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial 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 Australian Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements 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.

Audit Opinion

In our opinion, the financial report of Yackandandah Community Development Company Ltd 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 31 March 2006 and its performance for the period ended on that date; and
 - ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.


KPMG
Chartered Accountants


Dougald J Frederick
Partner

Dated at Albury this 11th day of May 2006.

Resident partners
P C Tobin N R Willis G J West D J Frederick
C I Kenny K T Evans T S Frazer

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