

**Heathcote & District
Financial Services Limited**

Financial Statements

as at

31 December 2006

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Directors' Report

Your Directors submit the financial report of the company for the half-year ended 31 December 2006.

Directors

The names of directors who held office during the half year and until the date of this report are as below:

Barry Maxwell Gail

Keith Macpherson Chambers

Patrick Joseph Connally

Ian Douglas Cordiner

Jeremy Myddleton Davis

Dannielle Maree Gilmore

Colin Bernard Stobaus

Gregory John Williams

Joseph Zurek

Caroline FitzGerald James (*Appointed 28th August 2006*)

Kathryn Mary Gilmore (*Resigned 28th August 2006*)

Principal activities

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

Review and results of operations

Operations have continued to perform in line with expectations. The net loss of the company for the financial period was: \$15,243 (2005: \$59,207).

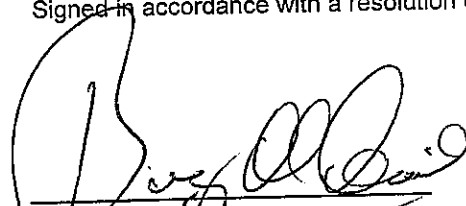
Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period 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.

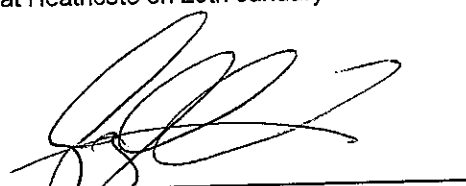
Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 2.

Signed in accordance with a resolution of the Directors at Heathcote on 29th January 2007.



Barry Maxwell Gail, Chairman



Gregory John Williams, Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Heathcote & District Financial Services Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2006 there have been:

- ✓ no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review and
- ✓ no contraventions of any applicable code of professional conduct in relation to the review.



David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated: 29 January 2007

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Income Statement
for the half-year ended 31 December 2006

	2006	2005
	\$	\$
Revenue from ordinary activities	147,008	66,324
Salaries and employee benefit expense	(100,685)	(88,151)
Occupancy and associated costs	(17,021)	(9,684)
Advertising and promotion expenses	(1,262)	(604)
Systems costs	(10,788)	(9,311)
Depreciation and amortisation expense	(10,694)	(15,293)
General administration expenses	(29,370)	(26,858)
Profit/(loss) before income tax expense/credit	(22,812)	(83,577)
Income tax expense/credit	7,569	24,370
Profit/(loss) for the period	(15,243)	(59,207)
Profit/(loss) attributable to members of the entity	(15,243)	(59,207)
Earnings per Share	<u>c</u>	<u>c</u>
Earnings per share for the period were:	(2.56)	(9.96)

The accompanying notes form part of these financial statements.

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Balance Sheet
as at 31 December 2006

	31-Dec 2006 \$	30-Jun 2006 \$	31-Dec 2005 \$
ASSETS			
Current Assets			
Cash assets	214,888	237,809	280,079
Trade and other receivables	12,216	7,200	5,287
Other financial assets	-	-	-
Total Current Assets	<u>227,104</u>	<u>245,009</u>	<u>285,366</u>
Non-Current Assets			
Property, plant and equipment	72,972	77,667	80,058
Deferred tax asset	67,044	59,475	44,307
Intangible assets	50,402	56,402	62,402
Total Non-Current Assets	<u>190,418</u>	<u>193,544</u>	<u>186,767</u>
Total Assets	<u>417,522</u>	<u>438,553</u>	<u>472,133</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	7,025	9,813	8,063
Borrowings	8,940	9,000	3,000
Provisions	-	-	-
Total Current Liabilities	<u>15,965</u>	<u>18,813</u>	<u>11,063</u>
Non-Current Liabilities			
Borrowings	-	2,940	8,940
Total Non-Current Liabilities	<u>-</u>	<u>2,940</u>	<u>8,940</u>
Total Liabilities	<u>15,965</u>	<u>21,753</u>	<u>20,003</u>
Net Assets/(Liabilities)	<u>401,557</u>	<u>416,800</u>	<u>452,130</u>
Equity			
Issued capital	558,357	558,357	557,857
Retained earnings	(156,800)	(141,557)	(105,727)
Total Equity	<u>401,557</u>	<u>416,800</u>	<u>452,130</u>

The accompanying notes form part of these financial statements.

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Statement of Changes in Equity
for the half-year ended 31 December 2006

	2006	2005
	\$	\$
Total equity at the beginning of the period	416,800	515,461
Net profit/(loss) for the period	(15,243)	(59,207)
Net income/expense recognised directly in equity	-	(12,224)
Dividends provided for or paid	-	-
Shares issued during period	-	8,100
Total equity at the end of the period	<u>401,557</u>	<u>452,130</u>

The accompanying notes form part of these financial statements.

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Cash Flow Statement
for the half-year ended 31 December 2006

	2006 \$	2005 \$
Cash Flows From Operating Activities		
Receipts from customers	133,395	41,850
Payments to suppliers and employees	(157,561)	(111,340)
Interest paid	(3)	-
Interest received	4,248	9,845
Net cash provided by/(used in) operating activities	<u>(19,921)</u>	<u>(59,645)</u>
Cash Flows From Investing Activities		
Payments for property, plant and equipment	-	(89,351)
Payments for intangible assets	-	(8,402)
Net cash provided by/(used in) investing activities	<u>-</u>	<u>(97,753)</u>
Cash Flows From Financing Activities		
Proceeds from issues of equity securities	-	8,100
Payment for share issue costs	-	(10,284)
Repayment of borrowings	(3,000)	-
Net cash provided by/(used in) financing activities	<u>(3,000)</u>	<u>(2,184)</u>
Net increase/(decrease) in cash held	(22,921)	(159,582)
Cash at the beginning of the financial year	237,809	439,661
Cash at the end of the half-year	<u>214,888</u>	<u>280,079</u>

The accompanying notes form part of these financial statements.

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Notes to the financial statements
for the half-year ended 31 December 2006

1. Basis of preparation of the Half-Year Financial Statements

Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

Basis of accounting

The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent financial report and any public pronouncements made by the company during the period.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2006. All accounting policies are consistent with those applied in the 30 June 2006 financial statements except as set out below.

2. Events subsequent to Reporting Date

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

3. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the date of this report that affect the financial statements.

4. 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 the Heathcote and surrounding districts of Victoria.

5. Contributed equity

594,910 Ordinary shares of \$1 each (2005: 594,410)
Less: equity raising expenses

2006	2005
\$	\$
594,910	594,410
(36,553)	(36,553)
<u>558,357</u>	<u>557,857</u>

6. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2006 annual financial report.

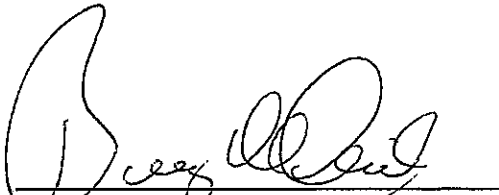
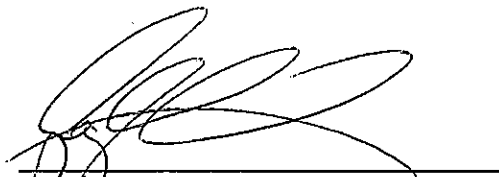
Heathcote & District Financial Services Limited
ABN 44 112 376 986
Directors' Declaration

In the opinion of the directors of Heathcote & District Financial Services Limited ("the Company"):

- 1 The financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors


Barry Maxwell Gail, Chairman
Gregory John Williams, Director

Dated this 9th day of February 2007

Independent Review Report to the Members of Heathcote and District Financial Services Limited

Scope

We have reviewed the accompanying financial report of Heathcote and District Financial Services Limited comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes 1 - 6 to the financial statements and the directors' declaration for the entity for the half-year ended 31 December 2006.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


[Statement of continued independence]

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors on 29 January 2007, would be unchanged if provided to the directors as at the date of this auditor's review report.]

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Heathcote and District Financial Services Limited is not in accordance with Corporations Act 2001, including:

- i. giving a true and fair view of the entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001.



David Hutchings Partner
BENDIGO 9th February 2007