

**Heathcote & District
Financial Services Limited**

Financial Statements

as at

30 June 2007

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

Your Directors submit the financial report of the company for the financial year ended 30 June 2007.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Barry Maxwell Cail

Chairman
Age: 54
Occupation: Journalist
Experience and expertise: Career in journalism
in metropolitan and regional newspapers
Special responsibilities: Public Relations Committee
Interests in shares: 2,001

Gregory John Williams

Director
Age: 44
Occupation: Business Proprietor
Experience and expertise: Former Corporate
Accountant & Mayor, City of Greater Bendigo.
Special responsibilities: Treasurer & Audit
and Governance Committee
Interests in shares : 2,001

Caroline FitzGerald James

Secretary (Appointed 28 August 2006)
Age: 63
Occupation: Owner / Manager
Experience and expertise: Career in education, services to
people with disabilities, administration
Special responsibilities: Company Secretary and Audit and
Governance Committee
Interests in shares: 500

Keith Macpherson Chambers

Director
Age: 55
Occupation: Primary School Principal
Experience and expertise: Career in education
in regional Victoria
Special responsibilities: Human Resources &
& Business Development Committees
Interests in shares: 1,001

Ian Douglas Cordiner

Director
Age: 67
Occupation: Director
Special responsibilities: Audit and Governance &
Business Development Committees
Interests in shares: 6,001

Danielle Maree Gilmore

Director
Age: 35
Occupation: Account Manager
Experience and expertise: 3 years banking experience
Special responsibilities: Chair, Business Development
Committee
Interests in shares: 1,001

Patrick Joseph Connally

Director
Age: 57
Occupation: Real Estate Agent
Experience and expertise: Licensed auctioneer & owned
and operated small business for 30 years
Special responsibilities: Business Development &
Premises Committees
Interests in shares: 10,001

Colin Bernard Stobaas

Director
Age: 61
Occupation: Builder
Experience and expertise: Owned and operated
building business for 29 years.
Special responsibilities: Chair, Premises Committee
Interests in shares: 3,001

Joseph Zurek

Director
Age: 59
Occupation: Retired
Experience and expertise: Career as a Corporate
Accountant and Supermarket Proprietor.
Special responsibilities: Audit and Governance
Committee
Interests in shares: 10,001

Kathryn Mary Gilmore

Director (Resigned 28 August 2006)
Age: 34
Interests in shares: 601

Jeremy Myddleton Davis

Director (Resigned 25 June 2007)
Age: 46
Interests in shares: 1

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

No Directors have material interests in contracts or proposed contracts with the company, other than those outlined in Note 18 in the Notes to the Financial Statements.

Heathcote & District Financial Services Limited
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Directors' Report

Company Secretary

The company secretary Caroline FitzGerald James was appointed to the position on 28 August 2006. Caroline has a background in special education, occupational rehabilitation and services for people who are blind or vision impaired. She is part owner of Heathcote Self Storage and works as the office manager in a small business.

Principal activities

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

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

Operating Results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2007	Year ended 30 June 2006
\$	\$
(29,349)	(95,037)

Remuneration Report

No Director of the company receives remuneration for services as a company director or Committee member.

The Board's policy in respect of the branch Manager is to maintain remuneration at parity within the Community Bank® network and local market rates for comparable roles.

There are no company executives who are directly accountable and responsible for the strategic direction and operational management of the entity. This is wholly a board role (who act in a voluntary capacity). Therefore there are no senior managers as defined by the Corporations Act.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 or the financial report.

Matters subsequent to the end of the financial year

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.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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 of which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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 Manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors Meetings

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

	Number of Board Meetings <u>eligible to attend</u>	<u>Number attended</u>
Barry Maxwell Cail	11	10
Keith Macpherson Chambers	11	10
Patrick Joseph Connally	11	10
Ian Douglas Cordiner	11	8
Jeremy Myddleton Davis (<i>Resigned 25 June 2007</i>)	10	3
Kathryn Mary Gilmore (<i>Resigned 28 August 2006</i>)	2	1
Danielle Maree Gilmore	11	7
Caroline FitzGerald James (<i>Appointed 28 August 2006</i>)	10	10
Colin Bernard Stobaus	11	7
Gregory John Williams	11	9
Joseph Zurek	11	10

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit & governance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

all non-audit services have been reviewed by the audit & governance committee to ensure they do not impact on the impartiality and objectivity of the auditor;

none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Heathcote & District Financial Services Limited
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Directors' Report

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Board of Directors at Heathcote, Victoria on 27th August 2007.



Barry Maxwell Cail, Chairman



Gregory John Williams, Director

Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Heathcote & District Financial Services Limited the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



David Hutchings
Auditor
Andrew Frewin & Stewart

Bendigo
27 August 2007

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Income Statement
for the year ended 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Revenues from ordinary activities	3	312,662	178,481
Salaries and employee benefits expense		(210,693)	(180,689)
Advertising and promotion expenses		(2,390)	(813)
Occupancy and associated costs		(31,634)	(28,799)
Systems costs		(22,158)	(19,900)
Depreciation and amortisation expense	4	(21,388)	(27,685)
General administration expenses		(64,455)	(55,170)
Loss before income tax credit		(40,056)	(134,575)
Income tax credit	5	10,707	39,538
Loss for the period		(29,349)	(95,037)
Loss attributable to members of the entity		(29,349)	(95,037)
Earnings per share (cents per share)		c	c
- basic for profit for the year	20	(4.9)	(16.0)

The accompanying notes form part of these financial statements

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Balance Sheet
as at 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Current Assets			
Cash assets	6	207,398	237,809
Trade and other receivables	7	9,150	7,200
Total Current Assets		<u>216,548</u>	<u>245,009</u>
Non-Current Assets			
Property, plant and equipment	8	68,278	77,667
Intangible assets	9	44,402	56,402
Deferred tax assets	10	70,182	59,475
Total Non-Current Assets		<u>182,862</u>	<u>193,544</u>
Total Assets		<u>399,410</u>	<u>438,553</u>
Current Liabilities			
Trade and other payables	11	9,019	9,813
Borrowings	12	2,940	9,000
Total Current Liabilities		<u>11,959</u>	<u>18,813</u>
Non-Current Liabilities			
Borrowings	12	-	2,940
Total Non-Current Liabilities		<u>-</u>	<u>2,940</u>
Total Liabilities		<u>11,959</u>	<u>21,753</u>
Net Assets		<u>387,451</u>	<u>416,800</u>
Equity			
Contributed equity	14	558,357	558,357
Accumulated losses	15	(170,906)	(141,557)
Total Equity		<u>387,451</u>	<u>416,800</u>

The accompanying notes form part of these financial statements

Heathcote & District Financial Services Limited

ABN 44 1123 376 986

Statement of changes in equity
for the year ended 30 June 2007

	2007 \$	2006 \$
Total equity at the beginning of the financial year	416,800	515,461
Net income/expense recognised directly in equity	-	-
Net loss for the year	(29,349)	(95,037)
Total recognised income & expenses for the year	<u>387,451</u>	<u>420,424</u>
Shares issued during period	-	8,600
Equity raising costs during period	-	(12,224)
Dividends provided for or paid	-	-
Total equity at the end of the financial year	<u><u>387,451</u></u>	<u><u>416,800</u></u>

The accompanying notes form part of these financial statements

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Statement of Cashflows
for the year ended 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		319,010	164,508
Payments to suppliers and employees		(352,431)	(290,805)
Interest received		12,013	17,887
Interest paid		(3)	(4)
Net cash outflow from operating activities	16	<u>(21,411)</u>	<u>(108,414)</u>
 Cash Flows From Investing Activities			
Payment for purchase of Agency		-	(8,402)
Payments for property plant and equipment		-	(93,352)
Net cash outflow from investing activities		<u>-</u>	<u>(101,754)</u>
 Cash Flows From Financing Activities			
Proceeds from issue of shares		-	8,600
Payment of share issue costs		-	(12,224)
Drawdown /(Repayment) of borrowings		(9,000)	11,940
Net cash inflow/(outflow) from financing activities		<u>(9,000)</u>	<u>8,316</u>
 Net decrease in cash held		(30,411)	(201,852)
Cash at the beginning of the financial year		237,809	439,661
Cash at the end of the financial year	6(a)	<u><u>207,398</u></u>	<u><u>237,809</u></u>

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

Basis of preparation

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

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 for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the 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 operation cash flows.

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Employee entitlements

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

The cost of the company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1. Summary of significant accounting policies (continued)

Comparative figures

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

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisitions is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the company's investment in each branch.

Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated Impairment of Goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1 (above). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions.

1. Summary of significant accounting policies (continued)

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

Borrowings

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

Provisions

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

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

1. Summary of significant accounting policies (continued)

Contributed Equity

Ordinary shares are 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.

Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market Risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price Risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit Risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank Limited.

(iv) Liquidity Risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank Limited mitigates this risk significantly.

	2007	2006
	\$	\$
3. Revenue from ordinary activities		
Operating activities:		
- services commissions	272,406	144,103
- other revenue	27,917	14,583
Total revenue from operating activities	<u>300,323</u>	<u>158,686</u>
Non-operating activities:		
- interest received	12,339	19,795
Total revenue from non-operating activities	<u>12,339</u>	<u>19,795</u>
Total revenues from ordinary activities	<u>312,662</u>	<u>178,481</u>

4. Expenses

Depreciation of non-current assets:		
- plant and equipment	4,621	10,289
- leasehold improvements	4,767	5,396
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	<u>21,388</u>	<u>27,685</u>
Finance costs:		
- interest paid	<u>3</u>	<u>4</u>

5. Income tax expense

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating loss	(40,056)	(134,575)
Prima facie tax on loss from ordinary activities at 30%	(12,017)	(40,373)
Add tax effect of:		
- non-deductible expenses	1,407	1,407
- temporary differences	(98)	(572)
Income tax expense on operating loss	<u>(10,707)</u>	<u>(39,538)</u>

	2007	2006
	\$	\$
6. Cash assets		
Cash at bank and on hand	30,890	70,757
Term Deposits	176,508	167,052
	<u>207,398</u>	<u>237,809</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows.

6(a) Reconciliation of cash

Cash at bank and on hand		
Term deposit	176,508	167,052
Cash at Bank	30,890	70,757
	<u>207,398</u>	<u>237,809</u>

7. Trade and other receivables

Trade receivables	5,568	3,618
Prepayments	3,582	3,582
	<u>9,150</u>	<u>7,200</u>

8. Property, plant and equipment

Plant and equipment

At cost	38,794	38,794
Less accumulated depreciation	(14,911)	(10,289)
	<u>23,883</u>	<u>28,505</u>

Leasehold improvements

At cost	54,557	54,557
Less accumulated depreciation	(10,163)	(5,396)
	<u>44,394</u>	<u>49,161</u>

Total written down amount	<u>68,278</u>	<u>77,667</u>
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	28,505	-
Additions	-	38,794
Less: depreciation expense	(4,621)	(10,289)
Carrying amount at end	<u>23,884</u>	<u>28,505</u>

Leasehold improvements

Carrying amount at beginning	49,161	-
Additions	-	54,557
Less: depreciation expense	(4,767)	(5,396)
Carrying amount at end	<u>44,394</u>	<u>49,161</u>

Total written down amount	<u>68,278</u>	<u>77,666</u>
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Heathcote & District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2007

	2007 \$	2006 \$
9. Intangible assets		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less: accumulated amortisation	(24,000)	(12,000)
<i>Goodwill</i>	8,402	8,402
	<u>44,402</u>	<u>56,402</u>
10. Deferred Tax		
Deferred Tax Asset		
Tax losses - revenue	<u>70,182</u>	<u>59,475</u>
11. Trade and other payables		
Trade Creditors	4,619	7,213
Other creditors & accruals	4,400	2,600
	<u>9,019</u>	<u>9,813</u>
12. Borrowings		
<i>Current</i>		
Loan from City of Greater Bendigo ^a	<u>2,940</u>	<u>9,000</u>
<i>Non-Current</i>		
Loan from City of Greater Bendigo	<u>-</u>	<u>2,940</u>
^a Loan was repayable quarterly with the final instalment to be paid on 26 August 2007. Interest is recognised at an average rate of 0%. The loan is not secured by any charge over the company's assets		
13. Provisions		
Employee provisions ^b	<u>-</u>	<u>-</u>
^b All staff are seconded from Bendigo Bank Ltd., and employee provisions are paid out in full by Heathcote & District Financial Services each month.		
Number of seconded employees at year end	<u>6</u>	<u>5</u>
14. Contributed equity		
594,910 Ordinary shares fully paid of \$1 each (2006: 594,910)	594,910	594,910
Less: equity raising expenses	(36,553)	(36,553)
	<u>558,357</u>	<u>558,357</u>
15. Accumulated Losses		
Balance at the beginning of the financial year	(141,557)	(46,520)
Net profit/(loss) from ordinary activities after income tax	(29,349)	(95,037)
Balance at the end of the financial year	<u>(170,906)</u>	<u>(141,557)</u>

	2007 \$	2006 \$
16. Statement of cashflows		
<i>Reconciliation of loss from ordinary activities after tax to net cash used in operating activities</i>		
Loss from ordinary activities after income tax	(29,349)	(95,037)
Non cash items:		
- depreciation	9,388	15,685
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,950)	5,822
- (increase)/decrease in other assets	(10,704)	(39,538)
- increase/(decrease) in payables	(796)	(7,346)
- increase/(decrease) in provisions	-	-
Net cashflows used in operating activities	<u>(21,411)</u>	<u>(108,414)</u>

17. Auditors' remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit & review services	3,000	2,750
- non audit services	150	500
	<u>3,150</u>	<u>3,250</u>

18. Director and Related party disclosures

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

Barry Maxwell Cail

Keith Macpherson Chambers

Patrick Joseph Connally

Ian Douglas Cordiner

Jeremy Myddleton Davis (*Resigned 25 June 2007*)

Kathryn Mary Gilmore (*Resigned 28 August 2006*)

Danielle Maree Gilmore

Colin Bernard Stobaus

Gregory John Williams

Joseph Zurek

Caroline FitzGerald James (*Appointed 28 August 2006*)

Heathcote & District Financial Services Limited
ABN 44 112 376 986
Notes to the Financial Statements
for the year ended 30 June 2007

18. Director and Related party disclosures (continued)

The company has entered into an agreement with the Mitbro Trust to lease the property at 2/119 for a five year period terminating on 25 August 2010. Director Joseph Zurek is a trustee of the Milbro Trust. This contract was approved by the board with Mr Zurek declaring a pecuniary interest and excluding himself from the discussions and approval process undertaken by the board.

The total value of payments made under this contract in the 05/06 financial year was \$15,705.

The company has also entered into an agreement with the Cherax Pty Ltd for Accounting Services for a two year period terminating on 30 June 2009. Director Gregory John Williams is a shareholder and director of Cherax Pty Ltd. This contract was approved by the board with Mr Williams declaring a pecuniary interest and excluding himself from the discussions and approval process undertaken by the board.

No payments made under this contract in the 05/06 financial year.

No other directors or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	<u>2007</u>	<u>2006</u>
Barry Maxwell Cail	2,001	2,001
Keith Macpherson Chambers	1,001	1,001
Patrick Joseph Connally	10,001	10,001
Ian Douglas Cordiner	6,001	6,001
Jeremy Myddleton Davis (Resigned 25 June 2007)	1	1
Kathryn Mary Gilmore (Resigned 28 August 2006)	601	601
Danielle Maree Gilmore	1,001	1,001
Colin Bernard Stobaus	3,001	3,001
Gregory John Williams	2,001	2,001
Joseph Zurek	10,001	10,001
Caroline FitzGerald James (Appointed 28 August 2006)	500	500

There was no movement in directors shareholdings during the year. Each share held has a par value of \$1.

19. Earnings per Share	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
<i>(A) Basic earnings per share</i>		
Profit attributable to the ordinary share holders of the company used in calculating basic earnings per share	(29,349)	(95,037)
<i>(B) Weighted average number of shares used as the denominator</i>	<u>2007</u>	<u>2006</u>
	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,910	594,910

20. Events occurring after the balance sheet date

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

21. Contingent liabilities

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

22. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being the Heathcote district, Victoria.

23. Registered office/Principal place of business

The registered office and principal place of business is:

<u>Registered office</u>	<u>Principal place of business</u>
Shop 2, 119 High St HEATHCOTE VIC 3523	Shop 2, 119 High St HEATHCOTE VIC 3523

24. Financial Instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The company does not have any unrecognised financial instruments at the 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 Statement of Financial Position 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	Floating interest rate	Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate		
		1 year or less		Over 1 to 5 years		Over 5 years						
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 %	2006 %
Financial assets												
Cash assets	30,778	70,757		-	-	-	-	-	112	-	6.25	5.05
Receivables	-	-		-	-	-	-	-	9,150	7,200	-	N/A
Financial liabilities												
Interest bearing liabilities	-	-		-	-	-	-	-	2,940	11,940	-	-
Payables	-	-		-	-	-	-	-	9,019	9,813	-	N/A

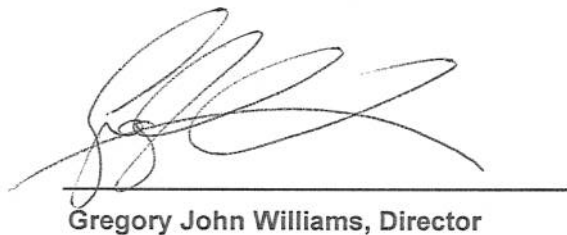
Heathcote & District Financial Services Limited
ABN 44 112 376 986
Directors' Declaration

In accordance with a resolution of the directors of Heathcote & District Financial Services Limited, we 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 2007 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; 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.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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


Barry Maxwell Cail, Chairman
Gregory John Williams, Director

Signed on the 7th of September 2007.

INDEPENDENT AUDITOR'S REPORT

To the members of Heathcote & District Financial Services Limited

We have audited the accompanying financial report of Heathcote & District Financial Services Limited which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that 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 financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the financial report of Heathcote & District Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Heathcote & District Financial Services Limited as of 30 June 2007, and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 27th day of August 2007