

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**

**A.C.N. 091 661 166**

**Interim Financial Report**

**For the half year ended 31 December 2005**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

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**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**DIRECTORS' REPORT**

The directors present their report, together with the financial statements of the Hobson's Bay Community Financial Services Ltd for the half year ended 31 December 2005.

**Directors**

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

H Da Silva	M S Pernar	W M Gray	M Boyd
G Inserra	B J Cahoon	A D Shanahan	L Barrett
F J Porter	G J Murdoch	R Quail	

**Principal Activities**

During the period the company continued to operate the Laverton and Altona Community Banks and also the Point Cook sub branch with the support of the Bendigo Bank Ltd.

**Operating Results**

Net profit of the company after providing for income tax for the half year was \$100,799 (2004 \$104,576).

**Dividends**

The company will shortly pay a partly franked dividend of \$80,200 as recommended in last years report. No further dividends have been recommended as at 31 December 2005.

**Review of Operations**

The company has continued to grow with assets under management now exceeding \$148 million at the date of this report.

The net assets of the company have increased by \$100,799 to \$ 1,048,397 during the period.

**Significant Changes in 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 which have not been disclosed in this report.

**After Balance Date Events**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

**Future Developments**

The company will continue to work towards its budget targets for the three branches at Laverton, Altona and Point Cook.

**Adoption of Australian Equivalents to International Financial Reporting Standard (IFRS)**

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of difference between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

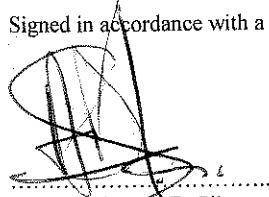
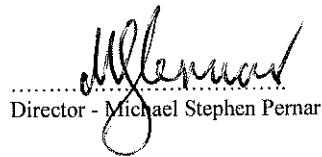
**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
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**DIRECTORS' REPORT**

**Auditor's Declaration**

The company's auditor independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 3 for the half year ended 31 December 2005.

Signed in accordance with a resolution of the Board of Directors.

  
.....  
Director - Henry DaSilva  
.....  
Director - Michael Stephen Pernar

Dated this 15 day of MARCH 2006

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**Auditor's Independence Declaration**

I declare that to the best of my knowledge and belief, during the half year ended 31 December 2005 there have been:

- i. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review;  
and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.



Ross Clarke  
Ross Clarke Pty Ltd  
ABN68085401583

Dated this 15 day of MARCH, 2006

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
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**Income Statement for the half year ended 31 December 2005**

	Note	31-12-2005	31-12-2004
		\$	\$
<b>Revenues</b>	3	<u>748,780</u>	<u>606,837</u>
Amortisation of franchise fee	4	(12,415)	(12,415)
Amortisation of leased assets	4	(1,561)	(1,561)
Depreciation of furniture & equipment	4	(15,063)	(18,475)
Employment expenses		(289,833)	(212,918)
Other expenses		<u>(280,995)</u>	<u>(207,158)</u>
<b>Total expenses</b>		<u>(599,867)</u>	<u>(452,527)</u>
<b>Profit/(Loss) before income tax</b>		148,913	154,310
Income tax expense	5	(48,114)	(49,734)
Profit/(Loss) from continuing operations		<u>100,799</u>	<u>104,576</u>
Profit/(Loss) from discontinued operations			
<b>Profit/(Loss) attributable to members</b>		<u><u>100,799</u></u>	<u><u>104,576</u></u>

**The Income Statement is to be read in conjunction with the  
 accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
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**Balance Sheet as at 31 December 2005**

	Note	31-12-2005	30-06-2005
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	6	656,395	491,655
Trade and other receivables	7	143,895	120,967
Other current assets	8	29,593	52,009
<b>Total Current Assets</b>		<b>829,883</b>	<b>664,631</b>
<b>Non-Current Assets</b>			
Property, Furniture and Equipment	9	731,491	734,738
Deferred tax asset	13b	34,957	30,219
Intangible assets	10	20,092	32,507
<b>Total Non-Current Assets</b>		<b>786,540</b>	<b>797,464</b>
<b>Total Assets</b>		<b>1,616,423</b>	<b>1,462,095</b>
<b>Current Liabilities</b>			
Trade and other payables	11	58,859	40,045
Short term borrowings	12		2,748
Current tax liabilities	13a	82,047	55,359
Short term provisions	14	136,623	129,705
Deferred tax liability	13a		0
<b>Total Current Liabilities</b>		<b>277,529</b>	<b>227,857</b>
<b>Non-Current Liabilities</b>			
Long term borrowings	12	225,746	231,014
Long term provisions	14	64,751	55,626
<b>Total Non-Current Liabilities</b>		<b>290,497</b>	<b>286,640</b>
<b>Total Liabilities</b>		<b>568,026</b>	<b>514,497</b>
<b>Net Assets</b>		<b>1,048,397</b>	<b>947,598</b>
<b>Equity</b>			
Issued capital	15	980,008	980,008
Retained earnings		68,389	(32,410)
<b>Total Equity</b>		<b>1,048,397</b>	<b>947,598</b>

The Balance Sheet is to be read in conjunction with the  
accompanying notes to the financial statements.

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
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**Statement of changes in equity for the half year ended 31 December 2005**

		\$	\$	\$
		Share Capital		
	Note	Ordinary	Retained Profits	Total
<b>Balance at 1.7.2004</b>		980,008	(141,500)	838,508
Profit attributable to members			104,576	104,576
Dividends paid or provided for	17			-
Balance at 31.12.2004		<u>980,008</u>	<u>(36,924)</u>	<u>943,084</u>
 <b>Balance at 1.7.2005</b>		 980,008	 (32,410)	 947,598
Profit attributable to members			100,799	100,799
Dividends paid or provided for	17		-	-
Balance at 31.12.2005		<u>980,008</u>	<u>68,389</u>	<u>1,048,397</u>

**The Statement of Change in Equity is to be read in conjunction with the  
accompanying notes to the financial statements.**



**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
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**Notes to the Financial Statements for the half year ended 31 December 2005**

**Note 1: Statement of accounting policies**

**(a) Basis of Preparation**

The half year financial statements are a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board AASB 134: Interim and the Corporations Act 2001.

As this is the first interim financial report prepared under Australian equivalents to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian GAAP. Accordingly a summary of the significant accounting policies under Australian equivalents to IFRS has been included below.

The half year report does not include full disclosures of the type normally in an annual financial report.

**(b) Revenue**

Revenue from the rendering of services is recognised upon the delivery of the service to the customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

**(c) Income Tax**

The change for current income tax expenses is based on profit for the year adjusted for any non assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively by the balance sheet date.

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

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

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

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

**(d) Property, Furniture and Equipment**

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

**Property**

Freehold land is shown at cost.

**Furniture and Equipment**

Furniture and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amounts of furniture and equipment valued on the cost basis are reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amount

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## Notes to the Financial Statements for the half year ended 31 December 2005

### (e) Depreciation

The depreciable amounts of all fixed assets are depreciated over their useful lives to the company commencing from the time that the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate %
Furniture & Equipment	7.5 – 33.3%
Leased plant and equipment	20%

### (f) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that ownership of the assets will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

### (g) Financial Instruments

#### Recognition

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

#### Loan and receivables

Loan and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market are stated at amortised cost using the effective interest rate method.

#### Financial liabilities

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

### (h) Franchise Fee

The Franchise Fee is initially recorded at the amount, which the Franchisee paid the Franchisor. The Franchise Fee is amortised on a straight line basis over the life of the agreement which expires on 12<sup>th</sup> November, 2007. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

### (i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### (j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with the original maturities of three months or less, and bank overdrafts

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## **Notes to the Financial Statements for the half year ended 31 December 2005**

### **(j) 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

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

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**Notes to the Financial Statements for the half year ended 31 December 2005**

**Note 2: First time Adoption of Australian Equivalents to International Financial Reporting Standard**

	Previous GAAP	Effect of transition to Australian Equivalent to IFRS	Australian Equivalent to IFRS
	\$	\$	\$
<b>Note 2 (a) Reconciliation of Equity at 1 July 2004</b>			
<b>Current Assets</b>			
Cash assets	508,420		508,420
Receivables	96,620		96,620
Other	32,166		32,166
<b>Total Current Assets</b>	<b>637,206</b>		<b>637,206</b>
<b>Non-Current Assets</b>			
Property, Furniture and Equipment	588,071		588,071
Deferred tax asset	23,178	1,124	24,302
Intangible assets	57,337		57,337
<b>Total Non-Current Assets</b>	<b>668,586</b>	<b>1,124</b>	<b>669,710</b>
<b>Total Assets</b>	<b>1,305,792</b>	<b>1,124</b>	<b>1,306,916</b>
<b>Current Liabilities</b>			
Payables	48,303		48,303
Interest-bearing liabilities	6,054		6,054
Current tax liabilities	38,178		38,178
Provisions for dividend	50,125		50,125
Provisions employee entitlement	60,924	(18,359)	42,565
<b>Total Current Liabilities</b>	<b>203,584</b>	<b>(18,359)</b>	<b>185,225</b>
<b>Non-Current Liabilities</b>			
Provisions employee entitlement	16,897	22,107	39,004
Interest-bearing liabilities	244,179		244,179
<b>Total Non-Current Liabilities</b>	<b>261,076</b>	<b>22,107</b>	<b>283,183</b>
<b>Total Liabilities</b>	<b>464,660</b>	<b>3,748</b>	<b>468,408</b>
<b>Net Assets</b>	<b>841,132</b>	<b>(2,624)</b>	<b>838,508</b>
<b>Equity</b>			
Issued capital	980,008		980,008
Retained Profits/(Accumulated Losses)	(138,876)	(2,624)	(141,500)
<b>Total Equity</b>	<b>841,132</b>	<b>(2,624)</b>	<b>838,508</b>

The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial statements.

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**Notes to the Financial Statements for the half year ended 31 December 2005**

**Note 2 (b) Reconciliation of Equity at 31 December 2004**

	Note	Previous GAAP	Effect of transition to Australian Equivalent to IFRS	Australian Equivalent to IFRS
		\$	\$	\$
<b>Current Assets</b>				
Cash assets		674,170		674,170
Receivables		113,546		113,546
Other		18,337		18,337
<b>Total Current Assets</b>		<b>806,053</b>		<b>806,053</b>
<b>Non-Current Assets</b>				
Property, Furniture and Equipment		571,427		571,427
Deferred tax asset	2e	24,045	3,580	27,625
Intangible assets		44,922		44,922
<b>Total Non-Current Assets</b>		<b>640,394</b>	<b>3,580</b>	<b>643,974</b>
<b>Total Assets</b>		<b>1,446,447</b>	<b>3,580</b>	<b>1,450,027</b>
<b>Current Liabilities</b>				
Payables		34,568		34,568
Interest-bearing liabilities		7,077		7,077
Current tax liabilities		85,941		85,941
Provisions for dividend		50,125		50,125
Provisions employee entitlement	2e	61,003	(15,339)	45,664
<b>Total Current Liabilities</b>		<b>238,714</b>	<b>(15,339)</b>	<b>223,375</b>
<b>Non-Current Liabilities</b>				
Provisions employee entitlement	2e	20,040	27,275	47,315
Interest-bearing liabilities		236,253		236,253
<b>Total Non-Current Liabilities</b>		<b>256,293</b>	<b>27,275</b>	<b>283,568</b>
<b>Total Liabilities</b>		<b>495,007</b>	<b>11,936</b>	<b>506,943</b>
<b>Net Assets</b>		<b>951,440</b>	<b>(8,356)</b>	<b>943,084</b>
<b>Equity</b>				
Issued capital		980,008		980,008
Retained Profits/(Accumulated Losses)	2e	(28,568)	(8,356)	(36,924)
<b>Total Equity</b>		<b>951,440</b>	<b>(8,356)</b>	<b>943,085</b>
<b>Net Assets</b>				

**The Statement of Financial Performance is to be read in conjunction with the  
accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
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**Notes to the Financial Statements for the half year ended 31 December 2005**

	Note	Previous GAAP	Effect of transition to Australian Equivalent to IFRS	Australian Equivalent to IFRS
		\$	\$	\$
<b>Note 2 (c) Reconciliation of Equity at 30 June 2005</b>				
<b>Current Assets</b>				
Cash assets		491,655		491,655
Receivables		120,967		120,967
Other		52,009		52,009
<b>Total Current Assets</b>		<b>664,631</b>		<b>664,631</b>
<b>Non-Current Assets</b>				
Property, Furniture and Equipment		734,738		734,738
Deferred tax asset	2e	28,519	1,700	30,219
Intangible assets		32,507		32,507
<b>Total Non-Current Assets</b>		<b>795,764</b>	<b>1,700</b>	<b>797,464</b>
<b>Total Assets</b>		<b>1,460,395</b>	<b>1,700</b>	<b>1,462,095</b>
<b>Current Liabilities</b>				
Payables		40,045		40,045
Interest-bearing liabilities		2,748		2,748
Current tax liabilities		55,359		55,359
Provisions for dividend		80,942		80,942
Provisions employee entitlement	2e	78,282	(29,519)	48,763
<b>Total Current Liabilities</b>		<b>257,376</b>	<b>(29,519)</b>	<b>227,857</b>
<b>Non-Current Liabilities</b>				
Provisions employee entitlement	2e	20,441	35,185	55,626
Interest-bearing liabilities		231,014		231,014
<b>Total Non-Current Liabilities</b>		<b>251,455</b>	<b>35,185</b>	<b>286,640</b>
<b>Total Liabilities</b>		<b>508,831</b>	<b>5,666</b>	<b>514,497</b>
<b>Net Assets</b>		<b>951,564</b>	<b>(3,966)</b>	<b>947,598</b>
<b>Equity</b>				
Issued capital		980,008		980,008
Retained Profits/(Accumulated Losses)	2e	(28,444)	(3,966)	(32,410)
<b>Total Equity</b>		<b>951,564</b>	<b>(3,966)</b>	<b>947,598</b>

**The Statement of Financial Performance is to be read in conjunction with the  
accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
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**Notes to the Financial Statements for the half year ended 31 December 2005**

**Note 2 (d) Reconciliation of Profit or Loss for the half year 31 December 2004**

	Previous GAAP	Effect of transition to Australian Equivalent to IFRS	Australian Equivalent to IFRS
	\$	\$	\$
<b>Revenues</b>	<u>606,837</u>		<u>606,837</u>
Amortisation of franchise fee	(12,415)		(12,415)
Amortisation of leased assets	(1,561)		(1,561)
Depreciation of furniture & equipment	(18,475)		(18,475)
Employment expenses	(204,730)	(8,188)	(212,918)
Other expenses	(207,158)		(207,158)
<b>Total expenses</b>	<u>(444,339)</u>	<u>(8,188)</u>	<u>(452,527)</u>
<b>Profit/(Loss) before income tax</b>	162,498	-8,188	154,310
Income tax expense	(52,190)	2,456	(49,734)
<b>Profit/(Loss) from continuing operations</b>	<u>110,309</u>	<u>(5,732)</u>	<u>104,577</u>
Profit/(Loss) from discontinued operations			
<b>Profit/(Loss) attributable to members</b>	<u>110,309</u>	<u>(5,732)</u>	<u>104,577</u>

**Reconciliation of Profit or Loss for the full year to 30 June 2005**

<b>Revenues</b>	<u>1,250,655</u>		<u>1,250,655</u>
Amortisation of franchise fee	(24,830)		(24,830)
Amortisation of leased assets	(3,122)		(3,122)
Depreciation of furniture & equipment	(30,649)		(30,649)
Employment expenses	(441,122)	(7,624)	(448,746)
Other expenses	(468,772)		(468,772)
<b>Total expenses</b>	<u>(968,495)</u>	<u>(7,624)</u>	<u>(976,119)</u>
<b>Profit/(Loss) before income tax</b>	282,160	-7,624	274,536
Income tax expense	(91,528)	2,287	(89,241)
<b>Profit/(Loss) from continuing operations</b>	<u>190,632</u>	<u>(5,337)</u>	<u>185,295</u>
Profit/(Loss) from discontinued operations			
<b>Profit/(Loss) attributable to members</b>	<u>190,632</u>	<u>(5,337)</u>	<u>185,295</u>

**The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial statements.**

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## Notes to the Financial Statements for the half year ended 31 December 2005

### Note 2 (e) Note to the reconciliations of equity and Profit and Loss at 1 July 2004, 31 December 2004 and '30 June 2005

	30.6.2005	31.12.2004	1.7.2004
	\$	\$	\$
(1) Deferred tax assets comprise:			
Deferred tax provided on the future employment benefits	1700	3,580	1,124
Total	<hr/> 1700	<hr/> 3,580	<hr/> 1,124
(2) Current liabilities comprise:			
Provision employment entitlement	(29,519)	(15,339)	(18,359)
Total	<hr/> (29,519)	<hr/> (15,339)	<hr/> (18,359)
(3) Non Current liabilities comprise:			
Provision employment entitlement	35,185	27,275	22,107
Total	<hr/> 35,185	<hr/> 27,275	<hr/> 22,107
(4) Retained earning comprise:			
Provision employment entitlement	(3,966)	(8,356)	(2,624)
Total	<hr/> (3,966)	<hr/> (8,356)	<hr/> (2,624)

The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial statements.



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**Notes to the Financial Statements for the half year ended 31 December 2005**

Note	31-12-2005	31-12-2004
	\$	\$
<b>Note 3: Revenue</b>		
<b>Operating Activities:</b>		
Franchise income	735,549	589,148
Interest revenue	13,231	17,689
Other operating revenue:		
- Other income	-	-
<b>Total Revenue from Ordinary Activities</b>	<u><u>748,780</u></u>	<u><u>606,837</u></u>

**Note 4: Profit from Ordinary Activities**

Profit (loss) from ordinary activities before income tax has been determined after:

**Charging as expense:**

Amortisation of non-current assets:		
- Franchise fee	12,415	12,415
- Leased assets	1,561	1,561
<b>Total amortisation expenses</b>	<u><u>13,976</u></u>	<u><u>13,976</u></u>
Bad and doubtful debts	4,790	3,082
Interest paid	10,012	10,389
Depreciation of non-current assets:		
- Plant and equipment	15,063	18,475

**Note 5: Income Tax**

(a) The components of tax expense comprise:

Current tax	48,114	49,734
Deferred tax	-	-
Recovery of prior year tax losses		
Under provision in respect of prior years	<u><u>48,114</u></u>	<u><u>49,734</u></u>

(b) The prima facie tax payable on operating profit is reconciled to the income tax provided in the accounts as follows:

Operating profit/(loss) before income tax	<u><u>148,913</u></u>	<u><u>154,310</u></u>
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Prima facie income tax payable on operating profit/(Loss) @ 30%	44,674	46,293
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Add:

Tax effect of:

- non deductible depreciation and mortisation	3,725	3,725
- other non allowable items	(284)	(284)
- under provision for income tax in prior year		

Less:

Tax effect of:

- rebateable fully franked dividends		
- capital profits not subject to income tax		
- revaluation of shares not subject to income tax		

Recovery of prior year tax losses not previously brought to account

<b>Income tax attributable to ordinary activities</b>	<u><u>48,114</u></u>	<u><u>49,734</u></u>
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**The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
A.C.N. 091 661 166

**Notes to the Financial Statements for the half year ended 31 December 2005**

	Note	31-12-2005	30-06-2005
		\$	\$
<b>Note 6: Cash assets</b>			
Bank accounts:			
- Cash at Bank		216,364	63,195
- Share Offer Account		272	742
- Term Deposits		438,638	427,404
- Cash on hand		1,121	314
		<u>656,395</u>	<u>491,655</u>

**Note 7: Receivables**

**Current**

Trade debtors		<u>143,895</u>	<u>120,967</u>
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**Note 8: Other Assets**

**Current**

Prepayments		17,203	11,983
Other Debtors		-	27,636
Director Related Entity	16	<u>12,390</u>	<u>12,390</u>
		<u>29,593</u>	<u>52,009</u>

**Note 9: Property, Furniture and Equipment**

**Land and Buildings:**

- At cost		<u>366,113</u>	<u>366,113</u>
		<u>366,113</u>	<u>366,113</u>

**Furniture and equipment:**

- At cost		528,726	515,349
- Less accumulated depreciation		<u>(168,195)</u>	<u>(153,132)</u>
		<u>360,531</u>	<u>362,217</u>

**Leased plant and equipment:**

- Capitalised leased asset		15,615	15,615
- Less accumulated depreciation		<u>(10,768)</u>	<u>(9,207)</u>
		<u>4,847</u>	<u>6,408</u>

<b>Total furniture and equipment</b>		<u>731,491</u>	<u>734,738</u>
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**(a) Movements in carrying amounts**

	Freehold Land	Furniture and Equipment	Leased Plant and Equipment	Total
Balance as at 01.7.2005	366,113	362,217	6,408	734,738
Additions		13,377		13,377
Disposals				
Depreciation expense		15,063	1,561	16,624
Carrying amount as at 31.12.2005	<u>366,113</u>	<u>360,531</u>	<u>4,847</u>	<u>731,491</u>

**The Statement of Financial Performance is to be read in conjunction with the accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**Notes to the Financial Statements for the half year ended 31 December 2005**

Note	31-12-2005	30-06-2005
	\$	\$
<b>Note 10: Intangibles</b>		
<b>Franchise fee:</b>		
- At cost	124,151	124,151
- Less accumulated amortisation and impairment	(104,059)	(91,644)
Net carrying value	<u>20,092</u>	<u>32,507</u>
<b>Note 11: Payables</b>		
<b>Current</b>		
Unsecured:		
- Trade creditors	40,993	21,165
- Other creditors and accruals	17,866	18,880
<b>Total Current Liabilities</b>	<u>58,859</u>	<u>40,045</u>
<b>Note 12: Borrowings</b>		
<b>Current</b>		
Unsecured liability		
Lease liability	<u>-</u>	<u>2,748</u>
<b>Non-Current</b>		
Unsecured liability		
Lease liability		
Secured liability		
Bank loan	225,746	231,014
	<u>225,746</u>	<u>231,014</u>
Finance Lease Commitments Payable		
Not later than 1 year	-	2,748
Later than 1 year but not later than 5 years		
Minimum Lease Payments	-	2,748
Less: Future Finance charges	-	(102)
	<u>-</u>	<u>2,748</u>

**The Statement of Financial Performance is to be read in conjunction with the  
accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**Notes to the Financial Statements for the half year ended 31 December 2005**

Note	31-12-2005	30-06-2005
	\$	\$

**Note 13: Tax**

**(a) Liabilities**

Provision income tax	46,035	39,742
GST Payable	28,006	5,889
Amount withheld from salary and wages	8,006	9,728
	<u>82,047</u>	<u>55,359</u>

**(b) Assets**

Deferred tax asset comprises:

Provision for employee entitlement	34,957	30,219
Total	<u>34,957</u>	<u>30,219</u>

**(c) Reconciliation**

**Gross Movement**

The overall movement in the deferred tax account is as follows:

Opening balance	28,519	23,178
(Charge) / credit to income statement	(16,985)	(14,629)
Charge to equity	23,423	21,670
Closing balance	<u>34,957</u>	<u>30,219</u>

**The Statement of Financial Performance is to be read in conjunction with the  
 accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**Notes to the Financial Statements for the half year ended 31 December 2005**

	Note	Employee Entitlement	Dividend	Total
<b>Note 14: Provisions</b>				
Opening balance at 1 July 2005		104,389	80,005	184,394
Additional provision		27,879		27,879
Amount use		(11,102)		(11,102)
Unused amount reserved		-		-
Increase in the discounted amount arising because of time any any effect of any change in the discount rate		203		203
Balance at 31 December 2005		<u>121,369</u>	<u>80,005</u>	<u>201,374</u>

**Note 15: Issued Capital**

	31-12-2005	30-06-2005
	\$	\$
1,002,508 Ordinary shares ( 2002 450,008 ordinary shares )	<u>980,008</u>	<u>980,008</u>

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholder meetings each member is entitled to one vote either when a poll is called, or otherwise each shareholder has one vote on a show of hands.

**Note 16: Related Parties**

The following transactions were made with related parties during the financial year. All transactions are on normal commercial terms unless otherwise stated.

Bannister Glen Pty Ltd, of which Mr H. Da Silva is a director for rental of the Altona premises. Bannister Glen Pty Ltd has also entered a repayment agreement with the company to repay the amount of \$12,390 owed towards the fit out of the premises.

<u>15,772</u>	<u>31,544</u>
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**Note 17: Dividends**

No Proposed dividend as at 31-12-05 ( 2005: 1,002,508 at 8 cents per share)	15	<u>-</u>	<u>80,200</u>
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**Note 18: Segment Information**

The company operates predominantly in the financial services sector within Australia.

**The Statement of Financial Performance is to be read in conjunction with the  
accompanying notes to the financial statements.**

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**Statement of Cash Flows for the half year ended 31 December 2005**

	Note	31-12-2005	31-12-2004
		\$	\$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers		735,466	569,213
Payments to suppliers and employees		(480,676)	(373,828)
Interest received		13,231	17,689
Finance costs		(37,141)	(26,226)
Income tax paid		(46,559)	(12,695)
Net cash provided by (used in) operating activities	2	<u><u>184,321</u></u>	<u><u>174,153</u></u>
<b>Cash Flow from Investing Activities</b>			
Purchases of non-current asset		(13,377)	(3,392)
Net cash provided by (used in) investing activities		<u><u>(13,377)</u></u>	<u><u>(3,319)</u></u>
<b>Cash Flow from Financing Activities</b>			
Repayment of borrowings		(5,267)	(5,010)
Dividend paid		(937)	-
Net cash provided by (used in) financing activities		<u><u>(6,204)</u></u>	<u><u>(5,010)</u></u>
Net increase (decrease) in cash held		164,740	165,751
Cash at the beginning of the year		491,654	508,420
Cash at the end of the year	1	<u><u>656,394</u></u>	<u><u>674,171</u></u>

The Statement of Cash Flows is to be read in conjunction with the  
accompanying notes to the financial statements.

**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**Statement of Cash Flows for the half year ended 31 December 2005**

Note	31-12-2005	31-12-2004
	\$	\$
<b>Note 1: Reconciliation of Cash</b>		
For the purpose 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.		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	216,363	147,872
Shares Offer Account	272	-
Term Deposits	438,638	526,127
Cash on hand	1,121	172
	<u><u>656,394</u></u>	<u><u>674,171</u></u>

**Note 2: Reconciliation of Net Cash Provided by/Used in Operating Activities to Net Profit**

Operating profit/(loss) after income tax	100,800	110,308
Depreciation	15,063	18,475
Amortisation of franchise fee	12,415	12,415
Amortisation of leased assets	1,561	1,561
Increase/(decrease) in deferred tax asset	(4,738)	40,362
Increase/(decrease) in provision for income tax	6,293	(867)

**Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:**

(Increase) decrease in trade and term debtors	4,707	(16,853)
(Increase) decrease in prepayments	(5,220)	13,756
Increase (decrease) in trade creditors and accruals	19,828	(2,707)
Increase (decrease) in other creditors	(1,014)	(12,095)
Increase (decrease) in lease liabilities	(2,748)	(1,893)
Increase (decrease) in employee entitlements	(12,586)	4,289
Increase (decrease) in sundry provisions	49,960	7,402
<b>Net cash provided by operating activities</b>	<u><u>184,321</u></u>	<u><u>174,153</u></u>


**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

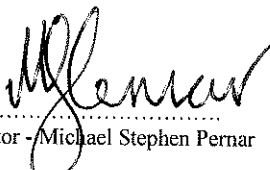
**Directors' Declaration**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 20:
  - (a) comply with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Law regulations and
  - (b) give a true and fair view of the financial position as at 31 December 2005 and performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

  
.....  
Director - Henry Dasilva

  
.....  
Director - Michael Stephen Pernar

Dated this 15 day of MARCH

2006



**HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD**  
**A.C.N. 091 661 166**

**Independent Review Report to the Members**

**Scope**

We have reviewed the financial report of HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD for the half year ended 31 December 2005 as set out on pages 4 to 21. The company's directors are responsible for the financial report. The financial report includes financial statements of the half year or from time to time during the half year.

We have performed an independent review of the financial report to state whether on the basis of the procedures described, any thing has come to our attention that would indicate that the financial report is not present fairly in accordance with Accounting Standards AASB 134: Interim Financial Reporting and other mandatory professional reporting requirement in Australia and statutory requirements, so far to present a view which is consistent our understanding of the company's financial position, and performance presented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards to review engagements. A review is limited primary to inquiries of company personnel and analytical procedures applied to financial data. These procedures do not provide all the evidence that would be requires in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Independence**

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 3 of the financial report has not changed as at the date of the providing our audit opinion.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD is not accordance with:

1. the Corporations Act 2001, including:
  - (a) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the half year ended on that date; and
  - (b) complying with Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
2. other mandatory professional reporting requirements in Australia.



Ross Clarke  
Ross Clarke Pty Ltd  
ABN 68 085 401 583

Dated this 15 day of MARCH, 2006