

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD

A.C.N. 091 661 166

Interim Financial Report

For the half year ended 31 December 2006

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

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HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD

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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 2006.

Directors

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

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

Principal Activities

During the period the company continued to operate the Laverton / Altona Meadows Community Bank[®], Altona Community Bank[®] and Point Cook Sub Branch with the support of the Bendigo Bank Ltd.

Operating Results

The Laverton Branch made a net profit for the half year of \$162,579. The Altona Branch made a net profit for the half year of \$13,250. The Point Cook Branch made a net loss for the half year of (\$90,959). The overall net profit of the company after providing for income tax was \$144,870 (2005 \$100,799).

Review of Operations

The net assets of the company have increased by \$144,870 from 01 July 2006 to \$1,228,764 during the half year.

The company has continued to grow with assets under management now exceeding \$169 million at the date of this report.

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 half-year which have not been disclosed in this report.

Matters Subsequent to the End of the Reporting Period

The issue of new and bonus shares and the opening of the Point Cook Community Bank branch should all be completed before the end of the current financial year.

No other 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.

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Audit Services

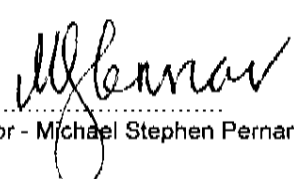
The Company's Auditor has not provided any non audit services during the period.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is included on page 5 of the Report

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


.....
Director - Henry DaSilva


.....
Director - Michael Stephen Pernar

Dated this 14 day of March 2007

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AUDITOR'S INDEPENDENCE DECLARATION

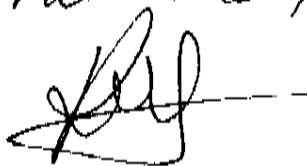
I declare that to the best of my knowledge and belief, during the half year ended 31 December 2006 there have been:

- 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.

Signed on:

14 March 2007

Ross Clarke
Ross Clarke Pty Ltd
ABN68085401583



HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
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INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31-12-2006	31-12-2005
		\$	\$
Revenues from Ordinary Activities	2	<u>918,367</u>	<u>748,780</u>
Amortisation of franchise fee	3	(697)	(12,415)
Amortisation of leased assets	3	(1,561)	(1,561)
Depreciation of furniture & equipment	3	(19,376)	(15,063)
Employment expenses		(334,984)	(289,833)
Other expenses from ordinary activities		<u>(354,897)</u>	<u>(280,995)</u>
Total Expenses from Ordinary Activities		<u>(711,517)</u>	<u>(599,867)</u>
Profit/(Loss) from Ordinary Activities before Income Tax		206,850	148,913
Income Tax Revenue/(Expenses) relating to Ordinary Activities	5	(61,980)	(48,114)
Profit (Loss) from Ordinary Activities after Income Tax		<u>144,870</u>	<u>100,799</u>
Profit/(Loss) attributable to extraordinary items		-	-
Net Profit/(Loss) Attributable to Members		<u>144,870</u>	<u>100,799</u>
Overall Operations			
Basic & Diluted earnings per share (cents per share)	17	14.45	10.05

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
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BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	31-12-2006	30-6-2006
		\$	\$
Current Assets			
Cash assets	6	830,683	664,169
Receivables	7	175,033	150,107
Other	8	7,482	8,019
Total Current Assets		1,013,198	822,295
Non-Current Assets			
Property, Furniture and Equipment	9	777,081	798,018
Deferred tax asset	10	39,253	38,219
Intangible assets	11	6,980	7,677
Total Non-Current Assets		823,314	843,914
Total Assets		1,836,512	1,666,209
Current Liabilities			
Payables	12	209,286	117,232
Interest-bearing liabilities	13	1,262	6,948
Tax liabilities	14	22,217	(19,875)
Provisions	15	60,720	160,431
Total Current Liabilities		293,485	264,736
Non-Current Liabilities			
Provisions	15	82,701	79,305
Interest-bearing liabilities	13	214,696	221,408
Tax Liabilities	14	18,866	18,866
Total Non-Current Liabilities		316,263	319,579
Total Liabilities		609,748	584,315
Net Assets		1,226,764	1,081,894
Equity			
Issued capital	16	980,008	980,008
Retained Profits/(Accumulated Losses)		202,735	57,865
Revaluation Reserve		44,021	44,021
Total Equity		1,226,764	1,081,894

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**STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED
31 DECEMBER 2006**

	Issued Capital	Revaluation Reserve	Retained Profits (Accumulated Losses)	Total
Balance 1/7/05	980,008	-	(32,410)	947,598
Profit (Loss) attributable after Income Tax	-	-	100,799	100,799
Balance 31/12/05	980,008	-	68,389	1,048,397
Balance 1/7/06	980,008	44,021	57,865	1,081,894
Profit (Loss) attributable after Income Tax	-	-	144,870	144,870
Balance 31/12/06	980,008	44,021	202,735	1,226,764

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2006

Note 1: Statement of Accounting Policies

The significant accounting policies adopted in the preparation of this financial report are:

(a) Basis of Preparation

The half year financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. These accounting policies have been consistently applied, unless otherwise stated.

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

No reconciliations between Australian GAAP and AIFRS will be required under AASB1 as these were already presented for the half year ended 31 December 2005 and included in the annual financial report for the year ended 30 June 2006.

(b) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amounts of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Franchise Revenue

Franchise revenue is recognised when the services are provided.

Interest Income

Interest income is recognised when it accrues.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2006

(c) Income Tax

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

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and 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 where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are 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 directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable 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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Property, Plant and Equipment

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

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on a valuation by Landlink Property Group Pty Ltd, independent valuers dated 5th September 2006.

Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the amount recoverable from these assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2006

(e) 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.

(f) Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Dividends are brought to account in the profit and loss account when received.

(g) 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 12th 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.

(h) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

The company contributes to a superannuation fund as required by law. Contributions are charged against income as they are made.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
31 DECEMBER 2006

(i) Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in at call deposits with banks or financial institutions and investments in money market instruments maturing within less than two months, net of bank overdrafts.

(j) Comparative Figures

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

(k) Payables

Liabilities are recognised for amounts to be paid in the future for goods, or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

(l) Receivables

Trade Debtors

The Bendigo Bank Limited is the company's only trade debtor. Accounts are settled every 30 days and no provision has been made for any portion of the amount due to be doubtful.

(m) 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 2006

	Note	31-12-2006	31-12-2005
		\$	\$
Note 2: Revenue			
Operating Activities:			
Franchise income		901,503	735,549
Interest revenue		16,864	13,231
Other operating revenue:			
- Other income		-	-
Total Revenue from Ordinary Activities		<u>918,367</u>	<u>748,780</u>

Note 3: 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		697	12,415
- Leased assets		1,561	1,561
Total amortisation expenses		<u>2,258</u>	<u>13,976</u>
 Bad and doubtful debts		 1,451	 4,790
Interest paid		9,808	10,012
Depreciation of non-current assets:			
- Plant and equipment		19,376	15,063

Note 4: Auditors' Remuneration

Remuneration of the auditor of the company for:

Audit Services	5,102	11,515
Other services	Nil	Nil
	<u>5,102</u>	<u>11,515</u>

Note 5: Income Tax

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>206,852</u>	<u>148,913</u>
 Prima facie income tax payable on operating profit/(Loss) @ 30%	 62,056	 44,674
 Add:		
Tax effect of:		
Fine	-	-
Amortisation of franchise fee	208	3,715
Capital works deduction	(284)	(284)
Income tax expense/(revenue) attributable to ordinary activities	<u>61,980</u>	<u>48,114</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31-12-2006	30-6-2006
Note 6: Cash Assets			
Bank accounts:			
- Cash at Bank		364,366	212,508
- Share Offer Account		1542	(200)
- Term Deposits		464,429	451,569
- Cash on hand		346	292
		<u>830,683</u>	<u>664,169</u>
Note 7: Receivables			
Current			
Trade debtors		<u>175,033</u>	<u>150,107</u>
Note 8: Other Assets			
Current			
Prepayments		7,482	8,019
Other Debtors		-	-
Director Related Entity		-	-
		<u>7,482</u>	<u>8,019</u>
Note 9: Property, Furniture and Equipment			
Land and Buildings:			
- At fair value		429,000	429,000
		<u>429,000</u>	<u>429,000</u>
Furniture and equipment:			
- At cost		552,383	552,383
- Less accumulated depreciation		(206,027)	(186,651)
		<u>346,356</u>	<u>365,732</u>
Leased assets:			
- At cost		15,615	15,615
- Less accumulated amortisation		(13,890)	(12,329)
		<u>1,725</u>	<u>3,286</u>
		<u>777,081</u>	<u>798,018</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31-12-2006	30-6-2006
		\$	\$
Note 10: Deferred Tax Assets			
Deferred Tax asset		<u>39,253</u>	<u>38,219</u>
The deferred tax asset is made up of the following estimated tax benefits:			
- timing differences		<u>39,253</u>	<u>38,219</u>
		<u>39,253</u>	<u>38,219</u>
Note 11: Intangibles			
Franchise fee:			
- At cost		124,151	124,151
- Less accumulated amortisation		<u>(117,171)</u>	<u>(116,474)</u>
		<u>6,980</u>	<u>7,677</u>
Note 12: Payables			
Current			
Unsecured:			
- Trade creditors		47,152	97,832
- Point Cook share applications received		112,600	-
- Other creditors and accruals		<u>49,534</u>	<u>19,400</u>
Total Current Liabilities		<u>209,286</u>	<u>117,232</u>
Note 13: Interest-Bearing Liabilities			
Current			
Lease liability		<u>1,262</u>	<u>6,948</u>
Non-Current			
Lease liability		-	1256
Bank loan		<u>214,696</u>	<u>220,152</u>
		<u>214,696</u>	<u>221,408</u>
Finance Lease Commitments Payable			
Not later than 1 year		1,352	7,452
Later than 1 year but not later than 5 years		-	1,340
Minimum Lease Payments		1,352	8,792
Less: Future Finance charges		<u>(90)</u>	<u>(588)</u>
		<u>1,262</u>	<u>8,204</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31-12-2006	30-6-2006
		\$	\$
Note 14: Tax Liabilities			
Current			
Current tax liability		(3,857)	(24,388)
GST payable		16,742	4,513
Amounts withheld from salary and wages		9,332	-
		<u>22,217</u>	<u>(19,875)</u>
Non-Current			
Deferred Tax Liability		18,866	18,866
Note 15: Provisions			
Current			
Dividend		4,169	102,667
Employee entitlements		56,551	57,764
		<u>60,720</u>	<u>160,431</u>
Non-Current			
Employee entitlements		82,701	79,305
Aggregate employee entitlements liability		139,252	137,069
Number of employees at end of year		13	14
Note 16: Issued Capital			
1,002,508 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 17: Earnings per Share

Earnings used to calculate basis EPS	144,870	100,799
Number of ordinary shares used to calculate basic EPS	1,002,508	1,002,508

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
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STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31-12-2006	31-12-2005
		\$	\$
Cash Flow from Operating Activities			
Receipts from Bendigo Bank Limited		875,126	735,466
Payments to suppliers and employees		(538,575)	(480,676)
Payments to share holders		-	-
Interest received		16,864	13,231
Interest and other costs of finance		(40,464)	(37,141)
Income tax paid		(42,483)	(46,559)
Net cash provided by (used in) operating activities	2	<u>270,468</u>	<u>184,321</u>
Cash Flow from Investing Activities			
Purchases of property, plant & equipment		-	(13,377)
Payment of other Debtors		-	-
Net cash provided by (used in) investing activities		<u>-</u>	<u>(13,377)</u>
Cash Flow from Financing Activities			
Proceeds of issue of shares		-	-
Dividends Paid		(98,498)	(937)
Repayment of borrowings		(5,456)	(5,267)
Net cash provided by (used in) financing activities		<u>(103,954)</u>	<u>(6,204)</u>
Net increase (decrease) in cash held		166,514	164,740
Cash at the beginning of the year		684,189	491,654
Cash at the end of the year	1	<u><u>830,683</u></u>	<u><u>656,394</u></u>

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STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31-12-2006	31-12-2005
		\$	\$
Note 1: Reconciliation of Cash			
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		364,366	216,363
Shares Offer Account		1,542	272
Term Deposits		464,429	438,638
Cash on hand		346	1,121
		<u>830,683</u>	<u>656,394</u>

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

Operating profit/(loss) after income tax	144,870	100,799
Depreciation	19,376	15,063
Amortisation of franchise fee	697	12,415
Amortisation of leased assets	1,561	1,561
Increase/(decrease) in provision for dividends	-	-
Increase/(decrease) in deferred tax asset	(1,034)	(4,738)
Increase/(decrease) in provision for income tax	20,531	6,293

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

(Increase) decrease in trade and term debtors	(24,926)	4,707
(Increase) decrease in prepayments	537	(5,220)
Increase (decrease) in trade creditors and accruals	92054	19,828
Increase (decrease) in other creditors	-	(1,014)
Increase (decrease) in lease liabilities	(6,942)	(2,748)
Increase (decrease) in employee entitlements	2183	(12,586)
Increase (decrease) in sundry provisions	21,561	49,960
Net cash provided by operating activities	<u>270,468</u>	<u>184,321</u>

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
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DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, notes and cashflow statement.
 - (a) comply with Accounting Standards and the Corporations Law; and
 - (b) give a true and fair view of the financial position as at 31 December 2006 and performance for the half year ended on that date.
2. The Chairman and Treasurer have each declared that:
 - a) the financial records of the company for the half year have been properly maintained in accordance with section 286 of the Corporation Act 2001;
 - b) the financial statements and notes for the half year comply with the Accounting Standards; and
 - c) the financial statements and notes for the half year give a true and fair view.
3. 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 14 day of

March.

2007

HOBSON'S BAY COMMUNITY FINANCIAL SERVICES LTD
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INDEPENDENT REVIEW REPORT TO THE MEMBERS

Scope

We have reviewed the financial report of Hobson's Bay Community Financial Services Limited for the half-year ended 31 December 2006 as set out on pages 3 to 19. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required 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 conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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 in accordance with:

- a. the *Corporations Act 2001*, including:
 - (1) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and
 - (11) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.
- b. other mandatory professional reporting requirements in Australia.

Signed on:

14 March 2007



Ross Clarke Pty Ltd
Certified Practising Accountants
ABN 68 085 401 583

Ross Clarke
Partner / Director