

Hervey Bay & District

Financial Services Limited

Financial Statements

as at

30 June 2006

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2006.

Directors

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

Rodney Mark Cullen

Chairman

Age: 49

Self employed Town Planner/Surveyor

Bachelor degree in Surveying and started own business in Surveying Consultancy. Graduate Diploma in Urban and Regional Planning and is now the senior partner in a multi-disciplinary consulting practice. A member of Hervey Bay Apex Club.

Chairman; Member, Due Diligence, Governance, Human Resource & Strategic Growth and Risk Management.

Margaret Elizabeth Butler

Secretary

Age: 59

Retired

Bachelor of Arts Degree. Owned and co-managed farming business, Manager Community Development Department with Hervey Bay City Council, Relationship Counsellor with Relationships Australia, executive member of numerous community organisations in the past. Company Secretary; Member, Governance & Strategic Growth and Risk Management.

Douglas Shayne Kuhn

Director

Age: 48

Real Estate Agent

Self employed for over 25 years and has been in retail menswear business, primary production, property development and is now in the real estate industry. Has been involved in community groups and sporting organisations such as P & C, Apex, Rugby League & Hockey. Publicity Officer; Member, Governance.

Allan Robert Treuel

Director

Age: 52

Operations Manager

Worked in banking, hospitality and youth work. Trainer at TAFE and Hospitality Training Company. Operations Manager for JobSmart involving training people in Education, Business Administration and Retail Industries. Member of various community organisations and elected Convenor of Fraser Coast Greens. Chair, Business Development; Member, Strategic Growth and Risk Management.

Robin St John Farrington

Director

Age: 77

Retired

Diploma of Teaching TAFE. Worked in photography and was Chief Photographer for the Government Aircraft Factories. Teacher at Hobart Technical College and coordinator of all photographic courses. Currently President of Australian Pensioners and Superannuants League in Hervey Bay. Member, Marketing and Sponsorship.

Trevor Ian McDonald

Director

Age: 56

Hervey Bay City Council Councillor

Diploma of Physical Education and a Bachelor of Education Studies. 37 years with Education Queensland and Deputy Principal at Pialba State School for approximately ten years. Member of various sporting organisations. Member, Business Development.

Dawn Patricia Dwyer

Director

Age: 69

Property Development Consultant

Owner/operator of various businesses in many retail outlets. Manager and Licensee of Motel and established and operated Natureworld Hervey Bay. Councillor with Hervey Bay City Council, member and office bearer of community organisations. Chair, Marketing and Sponsorship.

Nina Jay Molina

Director

Age: 26

Food and Beverage Services Manager

Studied Business and Marketing. Rotary Exchange Student in Japan. Supervisor and Manager in International Hotels and Casinos. Involved in numerous community organisations and projects. Member, Marketing and Sponsorship, Human Resource.

Gregory Ronald Scott

Director

Age: 58

Mediator for the Justice Department

Postgraduate qualifications in Public Sector Management. Manager with Queensland Health of various hospitals and community based health services. Treasurer and Director of Hervey Bay Boat Club and member of other organisations. Treasurer; Chair, Audit.

Raymond John Forrest

Director

Age: 76

Retired

Operated and managed own business and then worked in textile industry. Involved in community and church organisations. Member, Human Resource.

Hervey Bay & District Financial Services Limited
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Directors' Report

Directors (continued)

Geoffrey Noel Rose
Director

Age: 66

Farming & Property Investment

Managing Director of family company which operates farming and property investment. Involved in various school and community organisations.

Member, Audit.

David Wiskar

Director (*Resigned 9 January 2006*)

Age: 37

Executive Manager Business Development

Directors were in office from 17 October 2005 unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The Company Secretary is Margaret Elizabeth Butler. Margaret Butler was appointed to the position of Secretary on 27 September 2005. She has a Bachelor of Arts Degree and has owned and co-managed the family farming business, was Manager of the Community Development Department with Hervey Bay City Council, was a Relationship Counsellor with Relationships Australia, and has been a member of the executive boards of numerous organisations in the past.

Principal activities

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

There has 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 2006
\$
(106,619)

Remuneration Report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

The Branch Manager commenced employment on 20 May 2006. He is employed on a contract which is in line with the standards and remuneration levels applicable to Bendigo Bank staff in similar roles.

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.

Hervey Bay & District Financial Services Limited
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Directors' 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 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 Managers 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:

	<u>Number of Board Meetings eligible to attend</u>	<u>Number attended</u>
Rodney Mark Cullen	22	22
Margaret Elizabeth Butler	22	17
Douglas Shayne Kuhn	22	19
Allan Robert Treuel	22	21
Robin St John Farrington	22	22
Trevor Ian McDonald	22	13
Dawn Patricia Dwyer	22	16
Nina Jay Molina	22	10
Gregory Ronald Scott	22	15
Raymond John Forrest	22	14
Geoffrey Noel Rose	22	14
David Wiskar (<i>Resigned 9 January 2006</i>)	8	-

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Directors' Report

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 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 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.

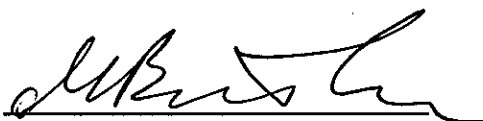
Auditors' independence declaration

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 Hervey Bay, Queensland on 18 September 2006.



Rodney Mark Cullen, Chairman



Margaret Elizabeth Butler, Secretary

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Hervey Bay & District Financial Services Limited.

As lead auditor for the review of the financial statements of Hervey Bay & District Financial Services Limited for the year ended 30 June 2006, 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 review; and
- b) any applicable code of professional conduct in relation to the review.



David Hutchings
Auditor

Andrew Frewin & Stewart

Bendigo VIC 3550

Dated: 22 September 2006

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Income Statement
for the year ended 30 June 2006

	<u>Notes</u>	2006 \$
Revenues from ordinary activities	3	82
Salaries and employee benefits expense		(134,792)
Advertising and promotion expenses		(144)
Occupancy and associated costs		(230)
Depreciation and amortisation expense	4	(6,284)
General administration expenses		(11,354)
Loss from ordinary activities before income tax credit		(152,722)
Income tax credit	5	46,103
Loss from ordinary activities after income tax credit		(106,619)
Loss attributable to members of Hervey Bay & District Financial Services Limited		(106,619)
Earnings per share (cents per share)		
- basic for profit for the year	18	(15.32)

The accompanying notes form part of these financial statements

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Balance Sheet
as at 30 June 2006

	<u>Notes</u>	2006 \$
Current Assets		
Cash assets	6	361,416
Trade and other receivables	7	32,066
Total Current Assets		<u>393,482</u>
Non-Current Assets		
Property, plant and equipment	8	150,684
Intangibles	9	9,667
Deferred tax assets	10	46,103
Total Non-Current Assets		<u>206,454</u>
Total Assets		<u>599,936</u>
Current Liabilities		
Trade and other payables	11	29,442
Provisions	12	1,470
Total Current Liabilities		<u>30,912</u>
Total Liabilities		<u>30,912</u>
Net Assets		<u>569,024</u>
Equity		
Contributed equity	13	675,643
Accumulated losses	14	(106,619)
Total Equity		<u>569,024</u>

The accompanying notes form part of these financial statements

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Statement of changes in equity
for the year ended 30 June 2006

	2006
	\$
Total equity at the beginning of the financial year	-
Net profit/(loss) for the year	(106,619)
Net income/expense recognised directly in equity	-
Dividends provided for or paid	-
Shares issued during period	695,911
Costs in raising equity	(20,268)
Total equity at the end of the financial year	<u><u>569,024</u></u>

The accompanying notes form part of these financial statements

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Statement of Cashflows
for the year ended 30 June 2006

	<u>Notes</u>	2006 \$
Cash flows from operating activities		
Cash received from customers		13
Cash paid to suppliers and employees		(159,449)
Net outflows from operating activities	15(b)	<u>(159,436)</u>
 Cash Flows From Investing Activities		
Payment for intangible assets		(10,000)
Payments for property plant and equipment		(157,501)
Net cash outflows investing activities		<u>(167,501)</u>
 Cash Flows From Financing Activities		
Proceeds of share issues		695,911
Payment of share issue costs		(7,558)
Net cash inflows financing activities		<u>688,353</u>
 Net increase in cash held		361,416
Cash at the beginning of the financial year		-
Cash at the end of the financial year	15(a)	<u><u>361,416</u></u>

The accompanying notes form part of these financial statements

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Notes to the Financial Statements
for the year ended 30 June 2006

1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Hervey Bay & District Financial Services Limited financial statements and also the first to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

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.

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 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).

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Notes to the Financial Statements
for the year ended 30 June 2006

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of 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 they related to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current 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.

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.

Hervey Bay & District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

1. Summary of significant accounting policies (continued)

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.

Comparative figures

Comparatives have not been provided as the company had not commenced operations during the year ending 30 June 2005.

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

Hervey Bay & District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

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 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.

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 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.

Hervey Bay & District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

1. Summary of significant accounting policies (continued)

Contributed Capital

Issued and paid up capital is 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.

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.

3. Revenue from ordinary activities

Operating activities:

- services commissions

Total revenue from operating activities

Total revenues from ordinary activities

2006
\$

82

82

82

Hervey Bay & District Financial Services Limited

ABN 46 116 567 072

**Notes to the Financial Statements
for the year ended 30 June 2006**

4. Expenses

2006

\$

Depreciation of non-current assets:

- plant and equipment

5,527

- leasehold improvements

424

Amortisation of non-current assets:

- franchise agreement

333

6,284

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

(152,722)

Prima facie tax on loss from ordinary activities at 30%

(45,817)

Add tax effect of:

- non-deductible expenses

100

- temporary timing differences

(386)

Income tax expense on operating loss

(46,103)

6. Cash assets

Cash at bank and on hand

55,068

Trust account

306,348

361,416

7. Trade and other receivables

Trade receivables

28,628

Prepayments

3,438

32,066

8. Property, plant and equipment

Plant and equipment

At cost

58,342

Less accumulated depreciation

(5,527)

52,815

Leasehold improvements

At cost

98,293

Less accumulated depreciation

(424)

97,869

Total written down amount

150,684

Hervey Bay & District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

8. Property, plant and equipment (continued)

Movements in carrying amounts:

	2006
	\$
<i>Plant and equipment</i>	
Carrying amount at beginning	-
Additions	58,342
Disposals	-
Less: depreciation expense	(5,527)
Carrying amount at end	<u>52,815</u>
<i>Leasehold improvements</i>	
Carrying amount at beginning	-
Additions	98,293
Disposals	-
Less: depreciation expense	(424)
Carrying amount at end	<u>97,869</u>
Total written down amount	<u>150,684</u>

9. Intangible assets

<i>Franchise Fee</i>	
At cost	10,000
Less: accumulated amortisation	(333)
	<u>9,667</u>

10. Deferred Tax Asset

Deferred Tax Asset	
Tax losses - revenue	<u>46,103</u>

11. Trade and other payables

Trade Creditors	27,042
Other creditors & accruals	2,400
	<u>29,442</u>

12. Provisions

Employee provisions	<u>1,470</u>
Number of employees at year end	<u>5</u>

Hervey Bay & District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

13. Contributed equity	2006
	\$
695,911 Ordinary shares fully paid of \$1 each	695,911
Less: equity raising expenses	(20,268)
	<u>675,643</u>
 14. Accumulated losses	
Balance at the beginning of the financial year	-
Net loss from ordinary activities after income tax	(106,619)
Dividends Paid	-
Balance at the end of the financial year	<u>(106,619)</u>
 15. Statement of cashflows	
<i>(a) Reconciliation of cash</i>	
Cash at bank and on hand	55,068
Term deposit	306,348
	<u>361,416</u>
 <i>(b) Reconciliation of loss from ordinary activities after tax to net cash used in operating activities</i>	
Loss from ordinary activities after income tax	(106,619)
Non cash items:	
- depreciation	5,951
- amortisation	333
Changes in assets and liabilities:	
- increase in receivables	(31,200)
- increase in other assets	(46,103)
- increase in payables	16,732
- increase in provisions	1,470
Net cashflows used in operating activities	<u>(159,436)</u>
 16. Auditors' remuneration	
Amounts received or due and receivable by the auditor of the company for:	
- audit & review services	2,400
- other services in relation to the company	3,648
	<u>6,048</u>

Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Notes to the Financial Statements
for the year ended 30 June 2006

17. Director and Related party disclosures

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

Rodney Mark Cullen
 Margaret Elizabeth Butler
 Douglas Shayne Kuhn
 Allan Robert Treuel
 Robin St John Farrington
 Trevor Ian McDonald
 Dawn Patricia Dwyer
 Nina Jay Molina
 Gregory Ronald Scott
 Raymond John Forrest
 Geoffrey Noel Rose
 David Wiskar (*Resigned 9 January 2006*)

No director 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>2006</u>
Rodney Mark Cullen	10,001
Margaret Elizabeth Butler	2,001
Douglas Shayne Kuhn	15,001
Allan Robert Treuel	501
Robin St John Farrington	501
Trevor Ian McDonald	1
Dawn Patricia Dwyer	501
Nina Jay Molina	1
Gregory Ronald Scott	1
Raymond John Forrest	1
Geoffrey Noel Rose	1,001
David Wiskar (<i>Resigned 9 January 2006</i>)	1

Each share held is \$1 fully paid.

18. Earnings per Share

Losses per share for the financial year were:

c
 (15.32)

Hervey Bay & District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2006

19. Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

Impact on the income statement

Nil.

Impact on the balance sheet

Nil.

20. Subsequent events

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 financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Hervey Bay and surrounding districts of Queensland.

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 9/55 Main Street Pialba QLD 4655	Shop 9/55 Main Street Pialba QLD 4655

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 2006 \$	Fixed interest rate maturing in			Non interest bearing 2006 \$	Weighted average effective interest rate 2006 %
		1 year or less 2006 \$	Over 1 to 5 years 2006 \$	Over 5 years 2006 \$		
Financial assets						
Cash assets	55,068	-	-	-	-	.05
Trust account	-	306,348	-	-	-	2.75
Receivables	-	-	-	-	32,066	N/A
Financial liabilities						
Payables	-	-	-	-	29,442	N/A

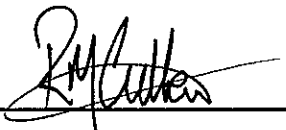
Hervey Bay & District Financial Services Limited
ABN 46 116 567 072
Directors' Declaration

In accordance with a resolution of the directors of Hervey Bay & 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 2006 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.

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



Rodney Mark Cullen, Chairman



Margaret Elizabeth Butler, Secretary

Signed on the 18th of September 2006.

INDEPENDENT AUDIT REPORT

To the members of Hervey Bay & District Financial Services Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Hervey Bay & District Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 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, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

1. the financial report of Hervey Bay & District Financial Services Limited is 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.



DAVID HUTCHINGS

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550
Dated this 22nd day of September 2006